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THE UNIVERSITY OF ALBERTA

BUSINESS ELITES AND THE IDEOLOGY OF DEVELOPMENT:  
A STUDY OF SELECTED LATIN AMERICAN LITERATURE

by



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The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies for acceptance, a thesis entitled "Business Elites and The Ideology of Development: A Study of Selected Latin American Literature" submitted by PATRICIA LOUISE MURPHY in partial fulfilment of the requirements for the degree of Master of Arts.



## ABSTRACT

The proposed research is concerned with the theory or ideology of economic development. To investigate alternative theories with an eye to at least modifying the ideology of economic development, this investigator has chosen to study Latin America, emphasizing Mexico, as a case in point. The reason for this is that Mexico is one of the few developing nations that has achieved "take-off" and thus presents the strongest case for the "ideology of development."

Within the Latin American society, the focus will be placed upon the business sector, as it is that portion of society most directly affected by economic change. Business will represent the industrial, entrepreneurial, and managerial segments in society. Those to be investigated within the business sector are the leaders or elites---the top men in the various business fields.

By using the alternative approach of elite analysis, it is hoped to arrive at a clearer perspective of what is happening in the so-called developing nations than that presented by the deterministic stage-development model. Firstly, elite analysis through the concept of the circulation of elites includes a historical dimension not built into the stage model. Secondly, elite analysis can adequately account for the numerous attitude studies which represent the bulk of studies of Latin American business. And thirdly, the elite approach has been recently adopted by the economic development theorists themselves to account for the discrepancies of the original model.





Thus it is hoped to demonstrate that the historical and modern development of business elites in Latin America do not follow the pattern dictated by the ideology of development.



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## CHAPTER I

### INTRODUCTION

The future of developing nations has thus far been planned and guided by theories of development which expound a progressive evolution from traditional to industrialized society. The implications of such a theory are far-reaching and perhaps threatening to the survival of some cultures. This study hopes to show that the trends in the developing nations of Latin America can be evaluated in an alternative light resulting in alternative plans of action.

The principal aim of this thesis is to present:

- (1) An evaluation of the adequacy of the progressive evolutionary model (theory of economic development) in light of the colonial history and the contemporary economic and social structure of Latin America.
- (2) A delineation of the pattern of circulation of elites in the development of Latin America since the 1500's as an alternative analysis of the problem complex found in Latin America, in the light of Frank's hinterland-metropolis model.
- (3) An initial exploration of the hypothesis that elites in Latin America have generated a unique response to industrialization and modernization by co-opting challenging modern business elites into a continuing ruling community.<sup>1</sup> This community (a) retains its Latin American cultural heritage and (b) assimilates selectively those innovations which permit it to compete in the world economic system in a way appropriate to its hinterland circumstance.

Thus, two interests are reflected in this thesis: the concept of development and elite analysis. The first interest is, more specifically, with the "theory of economic development: is it a myth?"<sup>2</sup>



The theory of development is mostly a product of U.S. and U.N. theoreticians and researchers. The expose of such episodes as "Project Camelot" should make the "objective" social scientist a bit skeptical of the concrete use of theory and research. Are theory and research to be put to use for the betterment of the developing nations, or for the interests of the U.S.? Recent events have at least posed the problem that the endorsement of one might not be to the benefit of the other.

In Millikan and Blackmer's preface to The Emerging Nations it is overtly stated:

It is in the interest of the United States to see emerging from the transitional process nations with certain characteristics. First, they must be able to maintain their independence, especially of powers hostile or potentially hostile to the United States. Second, they must not resort to violence in their relations with other states. Third, they must maintain an effective and orderly government without recourse to totalitarian controls, a condition which in turn requires them to make a steady progress toward meeting the aspirations of their people. Fourth, they must accept the principles of an open society whose members are encouraged to exchange ideas, goods, values and experiences with the rest of the world; this implies as well that their government must be willing to cooperate in the measures of international economic, political, social control necessary to the functioning of an interdependent world community.<sup>3</sup>

These authors' presentation of the U.S. "hope" for developing nations is mirrored in almost any North American work on the topic of development. As one reads through the literature it becomes increasingly clear that the theory of development is indeed an ideology of development.



The distinction between theory and ideology is not often a clear one. Theory usually is applied to some formulation of relationships between observable phenomenon which can be verified in some way. Ideology, as Berger puts it, refers to "views that serve to rationalize the vested interest of some group."<sup>4</sup>

One of the purposes of this thesis is to demonstrate that the theory of economic development is in fact less a theory which aims at explanation, than an ideology tending to rationalize the actions of developed nations and to protect those nations' interests in developing countries.

The term "ideology of economic development" is not entirely perjorative in that it is explicitly discussed as an ideology by those who are in favor of this position. Friedmann provides an apt example. In one of the more lucid statements on the matter he states: "Unless an adequate ideology is forthcoming, sufficiently convincing to appeal to larger numbers of the population, the ascendancy of strong men relying principally on force and on the fear it inspires, is a near certainty."<sup>5</sup> He goes on to state more blatantly, "In developing societies, this ideology is economic development."<sup>6</sup>

Accordingly, in the following pages of this thesis, we shall feel justified in referring to either the theory or the ideology of development interchangeably since its status as an ideology is at least as accepted as its status as a theory.

Putting aside the ethics of a stronger nation determining a weaker nation's internal policies, be they social, political, or economic, and centering on the effects such a policy will have internally,





one would like to ask again, is the theory of economic development a fact or a myth? Friedmann goes on to say that "...what the ideology of economic development preaches is the doctrine of unlimited expansion of a nation's capacities for production and consumption."<sup>7</sup> The term "unlimited expansion" is crucial.<sup>8</sup>

Economically and technologically, unlimited expansion can be seen as more fancy than fact: as Mosca would say it is a political formula to satisfy the masses. Unlimited expansion of a nation's economy, industry, or technology means to a developing nation the achievement of those things now in the possession of developed nations. The trouble is that, according to some recent theorists, this achievement of equality probably won't occur: Frank<sup>9</sup> asserts that development produces and maintains underdevelopment. Prebisch<sup>10</sup> sees the problem as the structural and functional differentiation of the world economy into the industrially developed nations vs. the supporting periphery nations. And Adams<sup>11</sup> points to the path of the first industrialized nations (primary development) as qualitatively different from the dynamics of the attempts of other nations to follow suit (secondary development). Simply, the structure of the world economy may not allow the development of the periphery.

More subtly, however, the clause "unlimited expansion" may have serious social and cultural repercussions. Friedmann and others hold that industrialization can only occur simultaneously with a change in values. While it is true that those nations which industrialized first developed a system of ethics which can be termed a secularized Protestant ethic, Friedman's contention is that this ethic must accompany





industrialization.<sup>12</sup>

That the ideology of economic development has its origins in the historical experience of western nations gives a certain flavor of reality to the idea and presses it into a particular mould of institutional and behavioral patterns from which but few deviations are possible.<sup>13</sup> (emphasis supplied).

The historical reality of the development of Western nations advances the credibility of the theory of economic development: It was done once, why not again. The ideology is perceived as credible and desirable. To proceed means to adopt the institutions and behavior patterns, and needless to say, the attitudes and values, of the developed Western nations. Thus Friedmann goes on to assert:

The near universality of the ideology of economic development is itself evidence of the creative role of ideas in historical evolution and evidence also that the community of "modern" intellectual is becoming international.<sup>14</sup>

The Westernization of the world, indeed, would seem to be the goal of the U.S. ideology of economic development. One would be open to charges of being "romantic," "reactionary," to hold that such a process is not good, valuable, or inevitable, were it not for the fact that the aim of the ideology in its theoretical form, i.e., economic development, has never been achieved or even demonstrated as possible in a secondary development context--and at the cost of cultural genocide.

To investigate alternative theories with an eye to at least modifying the ideology of economic development, this investigator has chosen to study Latin America. Special attention will be given to Mexico in that Mexico is one of the few developing nations that has achieved



"take-off" in Rostow's terms.<sup>15</sup> Mexico is thus the strongest case study for the "ideology of development."

Within the Latin American society, the focus will be placed upon the business sector which is affected directly by economic development and technological innovation. The term "business" stands for the industrial, managerial, and entrepreneurial sectors of Mexican society. The broadness of the term is not one of design but of necessity for two basic reasons. One is that in most cases differentiation into identifiable groupings has not occurred within the business sector, and future division might not take place or at least not in the same manner as in Britain or the U.S. due to the diversification of most business endeavors. Secondly, the investigator found that the literature contained little reference to the distinction empirically, though references were often made to the distinct groups theoretically. The business sector as the vanguard of modernization, according to some, should then exhibit the behavioral patterns and attitudes suggested by the ideology of economic development.

The group of businessmen that will be more closely investigated is the group of business leaders or elites---those men who fill the top positions in their various fields. Fillol postulates that change necessary for industrialization and modernization must occur through a minority group<sup>16</sup> of industrialists.<sup>17</sup> This trend to identify the elite and especially the business elite as the source of change is clearly a new emphasis in the development literature, and is a significant modification of the original economic development scheme.

The second concern of this paper is the exploration of an alt-



ernative approach to the "ideology of economic development" deriving from elite analysis. This approach is not mutually exclusive of the theory of economic development. Recently, it has been incorporated into the economic development literature, and elite analysis has gained status among U.S. and U.N. theorists.<sup>18</sup> But elite analysis lends itself to alternative formulations and conclusions. The historical and socio-psychological dimensions of the approach, especially as conceived by Pareto and Mosca, make this method of analysis relevant to the long-term changes in the Latin American business sectors. Elite analysis through the concept of circulation of elites includes a historical dimension not built into the stage model. Also elite analysis can adequately assume into its framework the numerous attitude studies which represent the bulk of studies of Latin American business. The hierarchical nature of the Latin American social structure also coincides with the use of elite analysis.

#### A. SCOPE OF THIS STUDY

The area of modernization and development is in its nature interdisciplinary. Studies across disciplines are still new and thus to a great extent weak and controversial. As Banton and Blackmer note, the problems are complex and interrelated:

We have emphasized the great complexity of the process of social, political, and economic change through which all societies we refer to as underdeveloped are passing. The complexity results partly from the fact that modernization involves interaction among psychological, political,





social, economic and cultural factors and partly from the fact that histories, traditions, resources, and values of the process of continuous interaction among so many variables in so many different circumstances would be impossible to trace and to describe with precision even if all the variables could be described in mathematical terms and each assigned a firm statistical weight. Obviously, in dealing with men and societies, neither the qualitative relations nor the quantitative can be firmly and unambiguously established.<sup>19</sup>

This investigator's undertaking, circumscribed as it is, is in fact overly ambitious. It is evident for reasons of both time and financing, that the full exposition of the problem cannot be undertaken at this time. For this reason the current study must be labeled "exploratory." Another limitation of the study is that the state of English-speaking literature, even by the experts in Latin American studies, is extremely primitive and in its own right "exploratory."

This paper examines currently existing English literature, to the exclusion of Spanish and Portuguese language publications, in an effort to evaluate what has been termed above the ideology of development. The attempt is made to reinterpret the data available in English according to a different model. The goodness of fit of these data in relation to the stage-model of development and the hinterland-metropolis model are examined. The conclusions that follow from this process of investigation should result in an alternative explanation of the Latin American situation.





## B. ORGANIZATION OF THE DATA

This paper is divided into eight chapters. The first chapter serves as a broad overview of the material to be covered in this paper. The second chapter deals basically with the theories of elites and a definition of elite terminology. The space devoted to such an abstract, theoretical discussion seemed necessary to acquaint both writer and reader with the positions and possibilities of elite theory. The incorporation of elite analysis into the "ideology of economic development" also justifies a discussion of the original formulation of elite theory in that only parts of the original formulation have been included in the "ideology."

Chapters three and four are extensions of chapter one. The third chapter deals with how some have used elite analysis in relation to developing nations, and chapter four demonstrates the compatibility of elite analysis with the social structure of Latin America. Latin American society is hierarchically stratified with few in the middle sectors. Even with fifty years of permanent revolution, the hypothesized levelling of the social strata remains to be actualized.

The fifth chapter attempts to analyse the business sector's development in colonial Latin America and Mexico. Some of the attitudes of businessmen and attitudes toward businessmen, the social position of business within Latin American society, and the functioning of business in Latin American economy become more meaningful when viewed historically.

In the sixth and seventh chapters contain a review of the liter-



ature on both Mexican and Latin American businessmen.

The final chapter includes both a criticism of the ideology of economic development in view of the discussion in the previous chapters and a discussion of the circulation of elites in Latin American history and the ensuing contemporary elite structure especially in regard to business elite.



# FOOTNOTES

<sup>1</sup>John J. Johnson in Political Change in Latin America: The Emergence of the Middle Sector (Stanford: Stanford University Press, 1958) traces much the same historical and structural developments in Latin America as does this thesis but in relation to the middle sector. Johnson deals with elites as a secondary consideration. Since he wrote in 1958, new factors have redirected the role of the middle sector.

<sup>2</sup>Myth in this context is used in the same sense as Mosca's political formula. A political formula consists of a series of rationalizations drawn from history, folk lore, science or common sense which serve to strengthen the power position of individuals or groups who dominate positions in a society.

<sup>3</sup>Francis M. Bantor, Donald L. M. Blackmer, et al., The Emerging Nations: Their Growth and United States Policy, Max F. Millikan and Donald L. M. Blackmer, eds. (Boston: Little Brown and Company, 1961), pp. x-xi.

<sup>4</sup>Peter Berger, Invitation of Sociology (New York: Anchor Books, 1963), p. 41.

<sup>5</sup>John Friedmann, "Intellectuals in Developing Countries," Kyklos, Vol. 13, 1964, p. 531.

<sup>6</sup>Idem.

<sup>7</sup>Ibid, p. 532.

<sup>8</sup>"Unlimited expansion," to give Friedmann the benefit of the doubt, must be interpreted as achieving par with the developed nations and not as infinite expansion. But the use of such phrasiology in the literature is regrettable in that there is no scientific justification for the use of the term and it can be misleading to persons not in a position to scrutinize its "real" meaning.

<sup>9</sup>Andre Gunder Frank, Capitalism and Underdevelopment In Latin America (New York and London: Monthly Review Press, 1967).

<sup>10</sup>Charles A. Frankenoff, S. J., "The Prebisch Theory: A Theory of Industrialism for Latin America," Journal of Inter-American Studies, Vol. 4, 1962, p. 188.



<sup>11</sup>Richard Newbold Adams, The Second Sowing: Power and Secondary Development in Latin America (San Francisco: Chandler Publishing Company, 1967).

<sup>12</sup>"And thus explained closely, the ideology of unlimited expansion turns out to be simply a logical extension of the Calvinist doctrine of salvation through works." Friedmann, op. cit., pp. 353-4.

<sup>13</sup>Ibid, p. 534.

<sup>14</sup>Idem.

<sup>15</sup>W. W. Rostow, Stages of Economic Growth: A Non-Communist Manifesto (Cambridge, University Press, 1960).

<sup>16</sup>"Therefore, the possibility of change can only depend upon the presence within the society of a minority group with the necessary ability, desire, knowledge and prestige to plan such a change and to bring it about." Tomas R. Fillol, Social Factors in Economic Development: The Argentine Case (Cambridge, Massachusetts: M.I.T. Press, 1961), pp. 94-5.

<sup>17</sup>Ibid, p. 97.

<sup>18</sup>Carl Beck, A Survey of Elite Studies (Washington, D.C.: Special Operations Research Office, 1965).

<sup>19</sup>Francis M. Banter and Donald L. M. Blackmer, et al., op. cit., p. 93.





## CHAPTER II

### ELITE ANALYSIS

Today the principal agents of cultural change are groups occupying strategic positions in decision-making. These groups constitute elites.<sup>1</sup>

The emphasis placed upon elites and their roles in developing nations represents a reawakening of the use of elite theory in American sociology. Traditionally American sociology has emphasized a democratic consensus theory of society as epitomized by the works of Talcott Parsons. Such an approach usually implies a theory of progress, i.e., evolution of societies from primitive states to complexities, and an organic model of integrated units interrelated to form a functioning whole. Few until the 60's opposed the applicability of such a theory to analyzing future programs for the developing areas of the world. Both U.S. and U.N. policies are highly influenced by the progressive stage sequence toward development. Rostow's non-Communist Manifesto clearly represents the Western official position that nations must head toward social development through industrialization; and this process follows identifiable stages. The simultaneous adoption of values and attitudes necessary to cope with the technological advances also must accompany industrialization and thus modernization. This position has been referred to as the theory of economic development.

This position is set in opposition to the Marxian tradition which holds that economic structures, not values or norms, are the key to



societal structures and that the dialectic, conflict, not consensus is the modus operandi of social change.

The elitist approach offers a third alternative to studying society. It represents, in part, a synthesis of the consensus-conflict positions. After Mills' The Power Elite<sup>2</sup> which received more criticism than praise from American sociologists, the elite approach was incorporated into the ranks of North American sociology but generally for export only. It is significant to note that while much research in the areas of elite analysis has continued in the '50's and '60's, the majority of such endeavors has been in relation to developing countries and not the developed nations.

At the turn of the century the future of developing nations was conceived as a struggle for independence, nationhood, democracy. As independence, nationalism and varying degrees of "democracy" became visible, the gap between the "industrialized" or "developed" nations and the emergent nations had not only remained but the distance had increased. So in the 1930's and 1940's students and experts of development began to see education as the basket into which developing nations should place their eggs.

While the supply of managerial manpower is clearly shown to be improving, the quality of education in those countries studied is seen to be largely inadequate to meet the challenges of modernization.<sup>3</sup>

The dawn of the late '50's brought with it the realization that as much as education is a factor in creating new and industrialized nations, education by itself cannot initiate development. Thus, the



experts re-evaluated their previous conclusions and hypothesize that, with the support of education, technological assistance, and financial support, it would be the leaders, the elites, of developing nations that would bring their countries through the processes of industrialization and modernization to achieve economic development.

If then, in fact, the elites of developing nations are the key to the future, they can serve as indicators of how that future will unfold. What is to be investigated in this paper is that even assuming the elites of developing countries do exert such tremendous power over the destiny of the "masses", will this influence necessarily lead in the direction of what Adams<sup>4</sup> has termed primary development: the adoption of Western values, the achievement of urbanization, mechanization or the adoptions of the new institution? In other words, do all nations develop in the stages proposed by Rostow<sup>5</sup> from "take-off" into a technological space age of high standards of living?

Already signs have appeared demonstrating alternatives. Industrialization and technological innovations have not brought about the decline in population, break down of the family, urbanization, etc., as predicted by the European and North American model. Some countries have even come to question the value and desirability of modernization. "It may be argued from some value systems that economic development is undesirable or secured at too high a price of social and political changes in the traditional society."<sup>6</sup> Even if values and traditions were not placed in jeopardy, the possibility of development has been called into question by sheer historical and economic limitations.





Adams sees the dilemma of secondary development as the crux of the problem. The now non-industrialized nations will not evolve a new technology and value system in the same way as industrialism developed in England. Instead a technological fait accompli is injected into a society which neither produced nor grew with the innovations.

Another question mark about the possibility of developing nations becoming developed is brought forward by Andre G. Frank. He views the problem of Latin American development in the light of the world economy. He proposes that the existence of developed nations depends upon the maintenance of underdeveloped nations as under-developed so that they can be exploited to provide the raw materials for the developed nations. If Frank's thesis is correct, the theories expounded about economic development can be interpreted as myths to secure continued allegiance of the hinterland to the metropolis from which the funds to develop are provided.

This chapter considers the history and theory that surrounds an elite analysis approach to society. Such a review of elite analysis would provide some background to the assumptions, strengths, limitations, and key aspects of the viewpoint.

#### A. THE DEVELOPMENT OF THE TERM

The history of the term elite has been traced by Keller, Bottomore, and Sereno.

The term 'elite' derives from the Latin word eligere, meaning "to choose". In common usage the term refers to "the choice part" or to "the flower" of a nation, culture, age





group, and also to persons occupying high social positions. Initially the term referred to "the choice part or flower of" goods offered for sale and also signified objects worthy of choice. By the eighteenth century, French usage of the word had widened to include distinctions in other fields.<sup>7</sup>

Bottomore relates that the earliest records of the use of the term elite in the English language occurs in the Oxford English Dictionary in 1823; and, at this time, the term already was being applied to social groups.<sup>8</sup> However the term did not come into common usage in Britain or the United States until the 1930's when the writings of the elite theorists, especially Pareto, became popular.

The use of the term elite in the social sciences has emphasized the notion of eminence rather than choiceness. Thus, "elite" is applied to groups of persons in a society who hold positions of eminence. More often than not, eminence refers to a particular field of activity, such as business.

Sereno notes:

In English, "elite", besides the meaning of "high society", has the meaning which can be changed time after time, and which can be modified fairly easily, since the word is little used except by social scientists; the word which is currently used had a scholarly origin and therefore has a scholarly meaning often deteriorated but never changed. It is interesting to observe that the expressions used to indicate the group which is called elite have often given rise to problems of terminology.<sup>9</sup>



## B. ASSUMPTIONS

As Sereno has noted the term elite has been used in various ways by different authors, yet there is a thread of continuity throughout the literature. Bottomore has stated the core of the argument quite succinctly:

The fundamental argument of the elite theorist is not merely that every known society has been divided into two strata-- a ruling minority and a majority which is ruled -- but that all societies must be so divided.<sup>10</sup>

This position is derived from a belief in the nature of man that can be traced from Plato to Pareto, Mosca, Michels and Keller. As Plato observed centuries ago there is a natural division of men. This division is based on ability which therefore admits inequality between man. So one of the assumptions of elite theory is that all men are not equal and differ in abilities.

The societal aspect of elitist theory recognizes that societies have basic needs to ensure its functioning. These needs provide a basis upon which men can be divided according to their abilities. Plato first postulated three basic needs of any society:

1. Administration or leadership
2. Defense
3. Production

Given the nature of man and the needs of society some men are rulers, some defenders and some producers. The definitions of societal needs has varied from time to time, but the need of leader, ruler or administrator is always present. This argument can be interpreted as



the forerunner of the position that classes are simply a result of the division of labor, and can be seen less explicitly stated in the position of Davis and Moore.<sup>11</sup>

### C. HISTORICAL ORIGIN

The spirit of elite analysis has origins back to the classical Greeks and earlier, but was first explicitly enunciated and made popular by Pareto.<sup>12</sup> Pareto and Mosca both wrote in opposition to Marxist theory and the theories of democracy.

This 'realistic science', which Pareto, Weber, Michels and others in different ways helped to further, was intended above all to refute Marx's theory of social class on two essential points: first, to show that Marxist conception of a 'ruling class', is erroneous, by demonstrating the continual circulation of which prevents in most societies, and especially in modern industrial societies, the formation of a stable and closed ruling class; and secondly, to show that a classless society is impossible, since in every society there is, and must be, a minority which actually rules.<sup>13</sup>

It is only within the historical context from which the theory rose, can one come to a full appreciation of its intent and only given this understanding can one evaluate its usefulness in the present.

It is then possible to see clearly that the idea of a 'ruling class' originated in the study of a particular historical situation - the end of feudalism and the beginning of modern capitalism - and to consider how far, and in what respects, other situations diverge from this ideal type, and in what respects other situations diverge from this ideal type, as a result of the absence or weakness of class formulation, the influence of factors other than ownership of property in the





creation of classes, and the conflict between different forms of power.<sup>14</sup>

Contemporary studies have continued to search out the applicability and validity of elite study in modern society. The rise of the two world power blocks have seen criticism on both sides as to the achievement of classless or democratic societies. Michels enunciated "the iron law of oligarchy"<sup>15</sup> as a result of his study of democratic unions in Germany. Djilas<sup>16</sup> has called attention to the rise of the "new class" elite within the Soviet Block and Mills<sup>17</sup> has argued the existence of the industrial-military complex. Surnham<sup>18</sup> sees governmental policy insignificant in the stratification of modern industrial societies and postulates the rise of a managerial elite who will rule in the East and the West. Mannheim has also taken a similar position, arguing

.....that the development of industrial societies can properly be depicted as a movement from a class system to a system of elites, from a social hierarchy based upon the inheritance of property to one based upon merit and achievement.<sup>19</sup>

A recurrent theme in the historical development of elite theory is the relation of the elite to science, technology, and industrialization. Saint-Simon, writing just after the French revolution and before Pareto, clearly stated some of the trends that are assumed today.

For Saint-Simon the 19th century witnessed the emergence of new societal forces. Science was taking the place of religion which had cemented medieval society together. The industrial, commercial bourgeois were assuming the leadership roles. These changes were seen as





the result of the Protestant Reformation and the Enlightenment.<sup>20</sup>

Saint-Simon conceived elites as based on functional performance which conformed to the particular requirements of that time.<sup>21</sup> Thus he stated:

Scientific knowledge will take the place of religious dogma, and scientists and industrialists will emerge as the new 'natural' elite to replace the leaders of medieval society, the clergy and nobility.<sup>22</sup>

This formulation of change is similar to that proposed for economic development. If only the leaders will assume the values of the Protestant ethic<sup>23</sup>, the process of development will be completed. The clergy and landowners should be replaced by industrialists and managers.<sup>24</sup> Clearly, one can conclude, that the existence of elites is not a thing of past medieval society, but part and parcel of the industrial age.

#### D. THEORY vs. IDEOLOGY

A recent controversy in sociological literature has debated when a theory takes on the characteristics of ideology. The cry of Mosca "there will always be a ruling class", can be taken as ideology just as much as Marx's economic determinism" or Parson's "pattern variables". Perhaps the delineation can be simplified (at the threat of reductionism) to the stance that when a theory ceases to be a tool of the investigator in the probing of realities out there and become "reality" in itself, then theory has become ideology. This statement is reminiscent of "it's all in the eye of the beholder" and puts the



burden of scientific objectivity on the investigator.

To criticize a conceptual scheme or a theory in its ideological aspect is not, therefore, simply to show its connection with a broader doctrine of man and society and to oppose another social doctrine to it; it is also, or mainly, to show the scientific limitations of the concepts and theories, and to propose new concepts and theories which are truer and more adequate to describe what actually occurs in the sphere of society.<sup>25</sup>

The limitations of elite theory have been discussed by Dahl, Edinger and Searing, Bottomore, Aron and others. The main problem area has to do with methodology and definition of terms in the concrete application of the theory.

#### E. METHODOLOGY

Dahl in his critique of the ruling elite model enunciated the position that the model is a "type of quasi - metaphysical theory made up of what might be called an infinite regress of explanations."<sup>26</sup>

Dahl formulates his criticism in response to the studies of those who represent elite theorists. His argument proceeds along these lines.

Most elite theorists fail to identify just who are the elites. If there are no visible leaders, they postulate covert leaders. Such a use of infinite regress is not conducive to scientific theory, since it cannot be controverted by empirical evidence. Even though Dahl takes the stance that reliable use of this approach has not been satisfactory until the present, he does propose ways in which the use of elite analysis could be scientifically employed:



The hypothesis of the existence of a ruling elite can be strictly tested only if:  
 (1) The hypothetical ruling elite is a well-defined group, (2) there is a fair sample of cases involving key political decisions in which the preferences of the hypothetical ruling elite run counter to those of any other group that might be suggested, (3) In such cases, the preferences of the elite regularly prevail.<sup>27</sup>

Dahl's proposals rely heavily on the political definition of ruling class or elite. As a political scientist his focus is justifiable, but as will be discussed below, the concepts as originally intended cannot simply be limited to the political sectors of society. But his three points can be translated generally to include a well defined group, with a good sample of cases, and some mapping of decision-making.

Bottomore suggests a means of identifying and defining groups who are thought to hold an elite position:

In most cases, however, it is somewhat easier to discover evidence for the rise and fall of social groups, because their existence and activities are likely to be documented in legal texts or in contemporary chronicles, or they may be inferred from a knowledge of other social institutions, such as systems of land tenure, and religious or military organizations.<sup>28</sup>

This method of identifying and studying elites would be compatible with Dahl's three criteria in that all three should be provided in journals, documents or by an analysis of institutions within any given society.

Keller's concern with elite studies has produced what she terms a list of "pitfalls" into which any researcher might stumble. The





first danger is that the researcher may fail to distinguish between types of elites. This would correspond to the necessity of having a well-defined group. Observance of defining the boundaries of the group often wards off the "metaphysical they" by providing a concrete entity at which to point.

Secondly, Keller states that many researchers fail to distinguish between the motives of individuals seeking access to an elite and the role of that elite in the life of society.<sup>29</sup> The motivation of an individual member of society does not become significant on the societal level if it remains simply the motive of a single person. What Keller might fail to include which has special significance in this study is that when the motivation for access and continued acceptance in an elite group becomes a characteristic of that group, this type of motivation might collectively affect the role of the elite in societal life.<sup>30</sup> As will be discussed in Chapter 4, the motivation of the Creole sector of Colonial Mexico differed from that which could be observed in the Protestant Ethic motivation of the rise of industrialists and entrepreneurs in the U.S. The Creole's did not reject the life style of the Spanish elite and develop an alternative value system as happened in the U.S. and Britain.

A third pitfall mentioned by Keller is the failure to differentiate between the objective social responsibilities of an elite and the subjective rewards accruing to their individual members.<sup>31</sup> To a large extent, this last proposal might be bound to the developed, Protestant countries. Again, one must attempt to separate the collective





responsibilities from individual rewards; but to the extent that rewards become "collective" or universal individual rewards for every member of the group, one must investigate the balance of responsibility with rewards.

#### F. DEFINITION OF TERMS

The second limitation of elite analysis has to do with definition of terms. As Sereno has stated the term "elite" has changed time after time. While the ability to modify the term "elite" might account in part for its popularity, the diffuseness of the term has left many in doubt as to its meaning. In defense of the term "elite" it seems to be a blanket term which refers to a complex phenomenon quite succinctly.

The validity of the term elite, at the theoretical level, seems to be a problem of the degree to which one is willing to admit inequalities in class, prestige, or power (Weber) within any given society, and the degree to which this has implications for the quality of interaction within that society. This is another way of stating the theory - ideology controversy. Although the theory implies a stand concerning the nature of reality, the investigator must be dedicated to discovering just how much "reality" is explained by such a stance.

Elite theorists have taken the position that inequality does exist and that such inequality affects the nature of social life. From this point of agreement the elite theorists then split apart to create "problems in terminology" by referring to a seemingly singular phen-



omenon in different ways. Four terms have consistently appeared in the literature and as consistently served as a source of confusion. Governing elite, ruling class, strategic elite and core elite.

# 1. Governing Elite: Pareto

Pareto defined history as the circulation of elites. He developed a theory based on the rulers and the ruled. For him, society was a system and individuals its basic units. The state system is determined by environment, history and the inner properties of the system. The inner properties were defined as modes of thought: logical or non-logical. As the logico-experimental mode of thought is quite rare in the human species, Pareto framed his discussion of rulers and ruled in terms of non-logical thought or sentiments.

Starting from the position that individuals are physically, morally and intellectually different, Pareto gradually began to develop his concept of elite: "...by elite we mean the small number of individuals who, in each sphere of activity, have succeeded and have arrived at a higher eschelon in the professional hierarchy. The successful businessman, the successful artist, the successful demimondaine (the example is Pareto's and is necessary to suggest some of his original style) the successful politician, the successful professor - all these belong to the elite."<sup>32</sup> Yet as time went by Pareto's conceptualization of the term changed. Bottomore hypothesizes this gradual change was due to Mosca's influence.



Each individual occupies a determined position in the social pyramid and if one arranges individuals according to their degree of influence and political power, then in most societies those highest in influence and political power will also be the man with the greatest wealth. This is the elite.<sup>33</sup>

The shift in emphasis in what might be called functional or occupational elites to a concentration on the political sector who possess wealth and influence began the confusion of the term elite. It is often unclear in Pareto's work to which he refers -- the political or the functional elite. He finally arrived at a second formal distinction. Keeping the term elite to "usually" refer to professional or occupational elites, Pareto introduced the term governing elite: " --- or the small number of individuals among those who have succeeded, who exercise ruling functions politically or socially."<sup>34</sup>

This division would seemingly leave any investigator with a class of persons termed "elite" in which there are two groups: (1) the governing elite and the (2) non-governing elite. Now the governing elite has been described in the literature as those who directly or indirectly perform roles in the directing of political power. Non-governing elite has been called those capable men who are not directly or indirectly in power positions.

If one were left with such a definition of terms, one would have to agree with Dahl that such an analysis is a metaphysical infinite regression. Pareto's original definition specified those who perform a ruling function either politically or socially. Pareto usually followed the route of his successors by using elites only to refer to





political powers. The common usage of the term as directly or indirectly illustrates Dahl's position of infinite regress. How can one investigate indirect direction vs. potential direction of the non-governing elite. The position reached by Bottomore is this:

One conclusion which merges from considering these problems is that the simple distinction between the elite and the non-elite, such as Pareto used, is quite inadequate, for no circulation of the rate of movement into the elite from other sections of the population is likely to be meaningful unless we know something about the size and structure of the elite, and about the general class structure, in a particular society.<sup>35</sup>

## 2. Ruling Class: Mosca

Mosca's approach to inequality was to use the term aristocracy or ruling class. The concept of ruling class seems to be more specific than "elite" and broader than governing elite. Mosca defined it in this way:

Among the constant facts and tendencies that are to be found in all political organisms, one is so obvious that it is apparent to the most casual eye. In all societies - from societies that are very meagerly developed and have barely attained the dawnings of civilization, down to the most advanced powerful societies - two classes of people appear - a class that rules and a class that is ruled. The first monopolizes power and enjoys the advantages that power brings, whereas the second, the more numerous class, is directed and controlled by the first, in a manner that is now more or less legal, now more or less arbitrary and violent and supplies the first, in appearance at least, with material means





of subsistence and with instrumentalities that are essential to the vitality of political organization.<sup>36</sup>

Mosca does not conceive the inequalities between men in the same way as Pareto. For Pareto, man's inequality is organic or biological in origin .. and a kind of social Darwinism. Mosca sees inequality stemming from the social and cultural advantages of differences. He sees man's struggle not as a fight for the survival of the fittest, but the conflict among men is a struggle of preeminence, of dominance.

The rulers dominate wealth, power and prestige, and through a minority, maintain their ruling position because of solidarity and ability to communicate, act, and organize. This cohesive, organized solid aspect of the ruling class has often been challenged. "Thus, Carl J. Friedrich observed that the one most problematic part of all elite doctrine is the assumption that the men of power do constitute a cohesive group."<sup>37</sup> The study of childhood socialization has given birth to arguments pro and con group-cohesiveness among the ruling class. Edinger and Searing concluded that adult-socialization was the biggest source of creating unified thinking, organization and cohesiveness in a cross cultural study of political leaders.<sup>38</sup> Their study went on to confirm suggestions proposed by Mosca that an "organized minority" do differ in characteristics from one culture to another.

Mosca further proposes that structure and what he terms "political formula" will vary according to current ruling class and the history of the society, and herein lies the importance of the concept.

From the point of view of scientific research the real superiority of the concept of ruling,



for political class lies in the fact that the varying structures of ruling classes have a preponderent importance in determining the political type and also the level of civilization of different people.<sup>39</sup>

But the emphasis on political eminence in the cases of both Mosca and Pareto serve to confuse the terminology. As Guttman has criticized, the term elite (ruling class) is initially defined as comprised of more than visible successful politicians.<sup>40</sup> Yet the literature including Pareto and Mosca seems to emphasize political elites with only nodding acknowledgement to the existence of non-political elites.

Like Pareto, Mosca believes that the elites or ruling class characterize a society and are the main source or impetus for change in society. As restated later by Aron, social change is dependent upon elites. Any change affecting the constitution of elites or the recruitment of elites will have an effect on society.<sup>41</sup> But unlike Pareto, Mosca makes the division of ruler vs. ruled, more complex, makes the dynamics of the circulation of individuals or groups within the ruling class more explicit, and given the ruled a more active role in the dynamics of society.

Mosca divides the ruling class into two strata. The second stratum is a modern invention and had not previously existed within the ruling sector.

In modern times, the elite is not simply raised above the rest of society, it is intimately connected with society through a sub-elite, a much larger group which comprises, to all intents and purposes, the whole 'new middle class' of civil servants, managers, and white-collar



workers, scientists, scholars, and intellectuals.<sup>42</sup>

There are no similarities in Mosca's conceptualization of the second stratum and Pareto's non-governing elite. Mosca's definitions are much more conducive to empirical testing and relatively less "metaphysical" than Pareto's.

Bottomore draws out the contrasting characteristics of governing elites and ruling class. The first point is that they state the division of society in different ways.

.....the conception of a 'governing elite' contrasts the organized, ruling minority with the unorganized majority, or masses, while the concept of a 'ruling class' contrasts the dominant class with subjects which may themselves be organized, or be creating organizations.<sup>43</sup>

A second aspect of divergence between the two concepts has to do with their ability to explain cohesion within the ruling minority. The governing elite assumes a cohesive group while the ruling class simply claims to be a cohesive social group. The members of the ruling class possess definite common, economic interests. Because it is constantly engaged in permanent conflict with other social classes in society, this social group develops awareness and solidarity. And thus Bottomore concludes that: "The superiority of the concept of 'ruling class' lies in its value in the construction of theories".<sup>44</sup>

The fruitfulness of this concept can be seen in its use by theorists Burnham and Aron. Burnham employs the concept of ruling class to demonstrate his hypothesis that the future elite will be a Managerial elite. He uses a Marxian framework from which to define the term:





A ruling class, we have seen, means a group of persons who, by virtue of special socio-economic relations, exercise a special degree of control over access to the instruments of production and receives preferential treatment in distribution of the product of these instruments.<sup>45</sup>

The obvious use of Marxian theory as economic determinants, control of production, distribution of goods shows just how flexible the ruling class concept can be.

Raymond Aron modified Mosca's term ruling class and came up with the term "ruling community". He defines elites as "the minority which in any society performs the function of the ruling community."<sup>46</sup> Aron's use of "ruling community" vs. ruling class contrasts the many functions an elite performs with the simple emphasis on political function of the ruling class. The concept of ruling community, then, eliminates the basic criticism of Mosca's definition.

Aron also goes on to elaborate the necessity of studying the social structure along with the ruling community as was suggested by Bottomore (p. 15). He makes three basic points.

1. Combined methods of analysis, e.g., analysis of the economic structure, the social structure, the structure of groups in the elite, and the structure of the constitutional system are of importance in understanding any society.
2. One of the most characteristic features of any society's structure is the structure of the elite, including, a) relationship between groups exercising power, b) the degree of unity or division between these groups, c) the system of recruiting the elite and ease





or difficulty of entering it.

3. Classless society<sup>47</sup> in history is significant in elite theory.<sup>48</sup>

Aron's use of ruling community and elite in relation to social structure is compatible with Keller's development of the concept of strategic elites.

### 3. Strategic Elites: Keller

Keller posits that the evolutionary process is applicable to the study of elites and to the development of elite terminology.

At the start, therefore, it is necessary to establish the definition to be used throughout this study. Here the term elite refers first of all to a minority of individuals designated to serve a collectivity in a socially valued way. Elites are effective and responsible minorities - effective as regards the performance of activities of interest and concern to others to whom these elites are responsive. Socially significant elites are ultimately responsible for the realization of major social goals and for the continuity of social order. Continuity, as used here, implies contributing to an on-going process, and while not synonymous with survival, includes the possibility of decline.<sup>49</sup>

It should be noted that Keller places her emphasis on the function of elites in relation to societal needs rather than the superiority emanence of the elite. As Burnham assimilated Marx into his approach to elites, Keller uses Parsons as a source.

Keller acknowledges the existence of a ruling class at points in history, but proposes that in the modern industrial society the ruling



class has evolved into strategic elites.

Strategic elites, in our view, consist of the majority of individuals responsible for keeping the organized system, society, in working order, functioning so as to meet and surpass the perennial collective crises that occur.<sup>50</sup>

The difference between a ruling class and strategic elites is related to the ascription-achievement dichotomy of Parsons pattern variables: "Strategic elites differ from a ruling class in that individuals occupy formal social positions distinguished by the role and not the personality of the individual occupying that role."

FIGURE I

Comparative Criterion	Ruling Class	Strategic Elite
Number	One	Several
Size	Large	Small, Concentrated
Duration	Long-lived	Short-lived
Mode of Entry	Birth & Wealth	Expert skill
Mode of Exit	Loss of Wealth	Incompetence
Scope of Authority	Diffuse & Wide	Special and Limited
Cultural Bonds	Schooling, background	No specifiable ones
Accessibility	Relatively closed	Relatively open <sup>51</sup>

Keller identifies four sources which seem to cause the progression from ruling class to strategic elites: 1) Population growth, 2) Growth of occupational specialization, 3) Growth of formal organization or bureaucracy, 4) Growth of moral diversity,<sup>52</sup> Michels has identified similar sources on the development of oligarchies within democratic societies.<sup>53</sup>

Strategic elites are identified according to their function and



moral excellence. Related to function Keller states that no one elite could possibly dominate another since each elite is functionally specific and specialized creating interdependence and not dominance.

Each society, though, has a hierarchy of needs usually dictated or influenced by cultural preference. In this sense a rank ordering of strategic elites does occur.

The rank ordering of elites, therefore, is generally determined by the types of problems confronting a society, the priority accorded to these, and the functional and moral solutions proposed to solve them.<sup>54</sup>

Functions of strategic elites can be divided into two classifications. One group of strategic elites relates to the external needs of a society. Another group of strategic elites relates to the internal needs of that society. Using a Parsonian functions, she develops a model.

FIGURE II

External Needs	External Strategic Elites		
(1) Goal Attainment	Political Elite		efficiency
(2) Adaptation	Economic Elite		
Internal Needs	Internal Strategic Elites		
(1) Integration	Religious Elite		symbolic roles
(2) Pattern Maintenance & Tension Maintenance	Family		

Related to moral excellence, Keller proposes that a different mores develops within each strategic elite in accord with the function to be performed and the principle by which it operates. Such differing





mores have implications for both recruitment qualifications and for who is attracted to be recruited.

Recruitment is also crucial to the aspect of mobility within society (circulation of elites). Three conditions can occur in which access to strategic elite positions increase. If there is inadequate reproduction among members of the existing elite, increased access will occur. If there is demographic or social expansion, the number of openings should increase. And finally in situations requiring a high degree of skill, persons outside the elite may gain access through their achievements.

If Keller's postulations prove true, industrial societies will move toward a highly mobile elite pluralism in contrast to Mills' industrial-military complex. But even Keller mentions that access based on skill or achievement, the distinguishing characteristic of strategic elites, is subject to premature closure. This brings into question the difference between ruling class and strategic elites in regard to access and exit. The "Peter Principal" exhibits a formulation of the achievement pattern gone wrong in industrial society in which incompetence is rewarded by promotion rather than sanctioned. In both situations mobility is blocked to those trying to gain access either by premature closure, or failure to be promoted because the higher positions have been filled not according to achievement but incompetence.

As regards solidarity among the ruling class and strategic elites, the findings of Edinger and Searing that adult socialization processes might account for the unity of elites in Europe make the differences between ruling class and strategic elite less significant than





was first thought.

#### 4. Core Elites: Kelner

Kelner seems to be able to shed some light on the problem of differentiating between ruling class and strategic elites. Kelner studied elites in Toronto. She maintains that both Keller and Porter have failed to make the distinction between power and prestige.

Power and prestige are two distinct levels of status.<sup>55</sup> The levels have their concrete manifestations in a division of elites within the ruling community. First there are persons who have achieved key functional roles within society. This group is referred to as the strategic elites. In addition to this there is an upper level of the elite structure which fills both key functional roles and is accorded high community status. The members of this group comprise the "core elite" in Kelner's terminology. The origin of this core elite is a matter of empirical investigation, but Kelner postulates that this core constitutes a historically homogeneous group and possesses wealth and power.

To test her theory Kelner postulates that if technological and industrial expansion tended to alter recruitment or weaken the Anglo-Saxon monopoly in elite status, her theory would be invalid.<sup>56</sup> She tests her theory by what she terms a positional approach which is similar to the essential functions identified by Aron. The positions she is concerned with and the functions discussed by Aron are both listed below.



FIGURE III

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KELNER	ARON
Corporate elite	Economic Directors
Labor elite	Leaders of the Masses
Political elite	Political Leaders
Civil Service elite	Governmental Administrators
Communications elite	
Academic elite	

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Kelner's findings confirm Keller's view that each elite develops its own process of recruitment and set of values. Some functions are more accessible than others.

The major thrust of upward mobility has taken place in the interstitial, innovative fields, which had no entrenched aristocracy in control and in those fields which require a high degree of technical specialization. Some of the most dynamic spheres include mining, entertainment, construction and psychoanalysis.<sup>57</sup>

Although she demonstrated that mobility and achievement do occur in innovative fields, the existence of the core elite remains unchallenged. Traditional fields and those high positions in key institutions remain monopolized by the core elite. The members of the core elite not only possess wealth and power, but also prestige. The strategy of mobility must be framed in terms of gaining access to the inner prestige circle.

The essential point here is that, unless members of the strategic elites can use their power and wealth to win acceptance from the social leaders in the community, they will be relegated to the fringes of the elite structure, and can never win admission to the core elite.<sup>58</sup>



Besides access to prestige being inaccessible to those outside the traditional prestige group, the upwardly mobile individual is faced with premature closure of jobs or positions open on achievement basis. Kelner also finds evidence of this closure.

Thus it appears that the individualistic, high-risk avenues to elite status that have typically served the ambitious non-Anglo-Saxon, are becoming less and less available to him. In the future, we can expect that non-Anglo-Saxons will increasingly have to make their ascent to elite positions within bureaucratic structures; an accommodation which may lead to considerable inter-group conflict.<sup>59</sup>

Kelner goes on to investigate the relationship between the core elite and the strategic elites in Toronto. She looks at the dimensions of solidarity and closedness. The core elite is homogeneous as mentioned above and is drawn together by such things as clubs, old family prestige and a distinct life-style. "Anglo-Saxon leaders rarely make close friends among other ethnic groups."<sup>60</sup>

This exclusiveness may or may not be intentional. On the surface the social exclusion appears as a habit, connected to the tradition of "the way things are." But overt or covert, social "segregation does have its impact."

This social exclusion has important repercussions for the hierarchical structure of the society. Social restrictions have the effect of containing power and prestige within a select circle, even though this may not be the primary reason for exclusion.<sup>61</sup>

As a result this core elite is comprised of the leaders of major institutions who also have high social status. As such it is the most powerful and prestigious group in the community. Because of its





intentional or unintentional practice of social exclusiveness, it remains impenetrable to non-Anglo-Saxons. What Kelner shows is that industrial society has areas of upward mobility for new elites; but these strategic elites occupy positions based on achievement and specialization which are susceptible to closure. They must remain subordinate to the core elite, and thus relegated to a second stratum within the ruling community.

This democratization process has been shown, however, to have definite limitations, contrary to Keller's thesis that, as industrialization creates large and more complex societies, ruling classes or core elites (as they have been described here) will disappear and be replaced by strategic elites. The elite nucleus is still very much in evidence and is still almost completely reserved for upper class Anglo-Saxons. In short, the shift from criteria is far from complete.<sup>62</sup>

## G. CIRCULATION OF ELITES

A central concern to those who attempt elite analysis is the mechanism of mobility both in and out of the elite and within the elite. Pareto termed this process the circulation of elites and saw it as the "stuff of history." Postulating the existence of elites in one form or another (strategic, core, etc.), the most fruitful investigation develops in relation to the recruitment and exclusion of elite members. This approach provides information about the relationship of the elite group or ruling community to the entire social structure. It traces the interaction within the ruling community and aids in identifying the hierarchy





of strategic elites and the presence or absence of a core elite.

Schumpeter suggested three aspects to be taken into consideration when looking at elite circulation. First of all it is important to trace the rise and fall of families within a class. Second one should locate the movement of individuals across class lines. And finally, it is obvious to follow the rise and fall of the whole classes.

Kolabinska also arrived at a classification of elite circulation as did Schumpeter. Rather than loosely define the first category as the rise and fall of families within a class (Schumpeter), Kolabinska places here emphasis on the circulation of individuals or families between different categories of governing elites. This type of study might yield some type of pattern which would (1) point to a rank ordering of subgroups as suggested by Keller, (2) given a pattern of rank ordering, it might indicate changes in the elite structure by shifts in that rank ordering over time, and (3) provide some basis for comparison between the rank ordering of the sub-groups and its correspondence with key values held within the society as a whole or within each elite itself.

Kolabinska's second category is the circulation between the elites or ruling community and the rest of the population. This includes two aspects. Firstly, individuals from the lower strata may gain access to the existing elite. Or secondly, individuals within the lower strata may form a new elite and then compete with previously existing elites.

Pareto saw the circulation of elites as an inevitable exchange of the speculators and rentiers, change oriented elites and status quo



elites. The change is usually instigated by a revolt of the elite not in power by forming a competing elite. The fall of a governing elite is usually due to decadence within the elite in power. But like Saint-Simon, Pareto maintained that the change in elites had an insignificant effect of the ruled or the masses.

Mosca's approach to the circulation of elites made more room for individual mobility into elite sectors and gave the "ruled" a little more active role in determining how the ruling class would rule. The existence of the second stratum and the directing minority are especially pertinent to the study of modern society.

Another approach to changes in the elite is presented by Michels.

The struggle between the old and the new elite very rarely culminates in the complete defeat of the former. Slightly modifying Pareto's doctrine, Michels states that "The result of the process is not so much a circulation des elites as a reunion des elites, an amalgam, that is to say, of the two elements."<sup>63</sup>

This hypothesis seems quite tenable in light of Kelner's findings that the core elite still survives in the industrial age.

#### H. SUMMARY

Bottomore suggests that: "The term 'elite(s)' is now generally applied, in fact, to functional, mainly occupational groups which have high status for whatever reason in a society."<sup>64</sup> The previous discussion presented the historical development of the term elite and a clarification of its evolution in meaning. In light of Dahl's criticism of the elite approach the logical starting point for any investigator is to



begin with an analysis of occupational or functional elites or leaders ---the positional approach according to Kelner. This would insure a well-defined group; provide the investigator with a more facile way of insuring a fair sample; and, since the elites would be related to institutions, an analysis of both internal and external decision-making processes should provide a fairly accurate record of elite preferences that prevailed.

From this position, one might then be able to proceed to the questions of the rank-order of strategic elites, the existence of the core elite, and the nature of interaction between these groups and social class or social structure.

It would appear that Aron's concept of "ruling community," Keller's strategic elites, and Kelner's core elites are all compatible parts of contemporary elite analysis and are valid scientific tools of investigation.

The problem facing investigators today is the implementation of the conceptual tools through thorough studies of the nature of the functional elites within each society. If empirical work can be made available it would then be possible to chart trends as suggested by Mosca, i.e., the development of a second stratum supporting the ruling class, or by Keller, i.e., the evolution of the ruling class into strategic elites, or by Kelner, i.e., granting the emergence of strategic elites, but maintaining the survival of the ruling class in the form of the core elite.

Questions as to the relationship between the various elites, the



methods of recruitment, and the nature of the circulation within and among elites would shed some light on aspects of decision making which affect the lives of the masses.





# FOOTNOTES

<sup>1</sup>I. Adams and J. Masuoka, "Emerging Elites and Culture Change," Social and Economic Studies, X, No. 1 (March, 1961), p. 86.

<sup>2</sup>C. Wright Mills, The Power Elite (New York: Oxford University Press, 1956).

<sup>3</sup>Robert T. Rehder, Latin American Management: Development and Performance (Reading, Massachusetts: Addison-Wesley, 1968), p. vii.

<sup>4</sup>Richard Newbold Adams, The Second Sowing: Power and Secondary Development in Latin America (San Francisco: Chandler Publishing Company, 1967).

<sup>5</sup>W. W. Rostow, Stages of Economic Growth: A Non-Communist Manifesto (Cambridge: University Press, 1960).

<sup>6</sup>Clark Kerr, et al., Industrialism and Industrial Man (New York: Oxford University Press, 1960), p. 15.

<sup>7</sup>Suzanne Keller, Beyond the Ruling Class (New York: Random House, 1963), p. 25.

<sup>8</sup>T. B. Bottomore, Elites and Society (Middlesex, England: Penguin Books Incorporated, 1964), p. 7.

<sup>9</sup>"In the Dictionnaire de Trevous (1771) 'elite' means, "Ce qu'il y a de meilleur dans chaque espece de chose de marchandise ce qui merite le plus d'etre choisie; delectus flos...Ce term a a passe de la boutique des marchands a d'autres usages...(troupes d'elite de la noblesse)." According to Littre (Dictionnaire de la langue francaise (1889)), "elite" is "ce qui'il y a d'elu, de choisi, de distingue. Synonymous: Elite, fleur, ces deux mots expriment ce qu'il y a de meillieur entre plsieurs individus ou plusieurs objects de la mem espece... Mais il retinnent toujours l'idee de brillant, de l'eclat, de la beaute; et elite comporte toujours l'idee d'el-ection." The standard of the current language, the Dictionnaire de l'Academie francaise, gives "ce qu'il y a de meilleur, pus digne d'etre chosie." Renzo Soreno, "The Anti-Aristotelianism of Gaetano Mosca and Its Fate," Ethics, XLVII, No. 4 (July, 1938), p. 515.

<sup>10</sup>Bottomore, op. cit., p. 19.

<sup>11</sup>Kingsley Davis and Wilbert E. Moore, "Some Principles of Stratification," in Reinhard Bendix and Seymour Martin Lipset, eds., Class, Status and Power, 2nd edition (New York: The Free Press, 1966), pp. 47-53.



<sup>12</sup>Soreno argues that although Pareto popularized the concept it was really Mosca who originated elite theory. Soreno, loc. cit.

<sup>13</sup>Bottomore, op. cit., pp. 17-18.

<sup>14</sup>Ibid, p. 38.

<sup>15</sup>Robert Michels, Political Parties (Glencoe: The Free Press, 1958).

<sup>16</sup>Milovan Djilas, The New Class: An Analysis of the Communist System, (London: Thames and Hudson, 1958).

<sup>17</sup>Mills, loc. cit.

<sup>18</sup>James Burnham, The Managerial Revolution (London: Putnam and Company, 1943).

<sup>19</sup>Bottomore, op. cit., p. 16.

<sup>20</sup>This is significant in that Latin America never did go through a Protestant Reformation with all the resultant changes in values and attitudes, for example see Max Weber's Protestant Ethic and the Spirit of Capitalism. It has only been within the last thirty years that the Protestant religions have made any head way into Latin American society. The works of the Enlightenment were also banned from the New World by Spanish Law, but were illegally available and read by the colonists. This mixture of the Latin American mind and the ideas of the Enlightenment resulted in an unusual interpretation of the basic themes of the Enlightenment. Zea in The Latin American Mind elaborates on this point.

<sup>21</sup>D. K. Hart, "Saint-Simon and the Role of the Elite," Western Political Quarterly, XXVII, No. 3 (1964), p. 424.

<sup>22</sup>Irving M. Zeitlin, Ideology and the Development of Sociological Theory (Englewood Cliffs, New Jersey: Prentice-Hall, Incorporated, 1968).

<sup>23</sup>Tomas R. Fillol, Social Factors in Economic Development: The Argentine Case. (Cambridge, Massachusetts: M.I.T. Press, 1961).

<sup>24</sup>The one interesting footnote to Saint Simon's theory is that he affirmed the change or "revolution" within the elite structures, but posited that such a change would never have any effect on the lower levels of the society. Science and technology do not affect the position of the have nots.

<sup>25</sup>Bottomore, op. cit., p. 20.



<sup>26</sup>Robert A. Dahl, "A Critique of the Ruling Elite Model," American Political Science Review, Vol. LII (June, 1958), p. 463.

<sup>27</sup>Ibid, p. 466.

<sup>28</sup>Bottomore, op. cit., p. 34.

<sup>29</sup>Keller, op. cit., p. 20.

<sup>30</sup>Ibid, p. 21

<sup>31</sup>Idem.

<sup>32</sup>Raymond Aron, Main Currents in Sociological Thought (New York: Basic Books, 1965), pp. 151-2.

<sup>33</sup>Zeitlin, op. cit., p. 168.

<sup>34</sup>Aron, op. cit., p. 152.

<sup>35</sup>Bottomore, op. cit., p. 63.

<sup>36</sup>Gaetano Mosca, The Ruling Class (New York, McGraw-Hill, 1939), p. 50.

<sup>37</sup>Bottomore, op. cit., p. 34.

<sup>38</sup>L. J. Edinger and D. D. Searing, "Social Background in Elite Analysis: A Methodological Inquiry," American Political Science Review, LXI, No. 2 (June, 1967).

<sup>39</sup>Mosca, loc. cit.

<sup>40</sup>W. L. Guttman, "Social Stratification and Political Elite," British Journal of Sociology, II, No. 2 (June, 1960).

<sup>41</sup>Raymond Aron, "Social Structure and the Ruling Class," British Journal of Sociology, I, No. 1 (March, 1950), pp. 1-16 and I, No. 2 (June, 1950), pp. 126-43.

<sup>42</sup>Bottomore, op. cit., p. 11

<sup>43</sup>Ibid, p. 37.

<sup>44</sup>Ibid, p. 38.

<sup>45</sup>Burnham, op. cit., p. 32.

<sup>46</sup>Aron, 1950, op. cit., p. 8.





<sup>47</sup>In contemporary society, Aron is referring to communist nation.

<sup>48</sup>Aron, 1950, op. cit., p. 141

<sup>49</sup>Keller, op. cit., p. 4.

<sup>50</sup>Ibid, p. 25.

<sup>51</sup>Ibid, p. 58

<sup>52</sup>Ibid, p. 65.

<sup>53</sup>Michels sees population and specialization as the impetus for the formation of leaders or oligarchs. He too postulates an evolutionary process from a democratic non-stratified state of affairs to a differentiated group based upon specialization.

<sup>54</sup>Keller, op. cit., p. 126.

<sup>55</sup>This formulation compares with Weber's distinctions of class, status, and party.

<sup>56</sup>Keller, op. cit., p. 129.

<sup>57</sup>Ibid, p. 135.

<sup>58</sup>Ibid, p. 129.

<sup>59</sup>Ibid, p. 135

<sup>60</sup>Ibid, p. 136.

<sup>61</sup>Idem,

<sup>62</sup>Ibid, pp. 136-7.

<sup>63</sup>Zeitlin, op. cit., p. 229.

<sup>64</sup>Bottomore, op. cit., p. 14.





### CHAPTER III

#### ELITE ANALYSIS IN DEVELOPING COUNTRIES AND THE IDEOLOGY OF ECONOMIC DEVELOPMENT

Elite analysis in American sociology is an approach for export only. The use of elite analysis in studying societies has been relegated by and large to the investigation of developing nations. Elites have been cast as both the villains and heroes in the drama of change from under-development to development.

In this chapter, three approaches to the problems of Latin will be considered: (1) the original model of the "ideology of economic development, (2) a reformulated model and (3) an alternative model. This discussion will take place in relation to two representation articles in the development literature.

Two articles represent the literature that probes the roles of the elites in emerging nations. Robert K. Lamb sees the dynamics of development as a process caught up in a crossfire of two polar forces: The American and the Russian response to mechanization. Richard Behrendt perceives the role of elite as directing endogenous reorganization of traditional society in response to the exogenous influence of western expansion and industrialization.

#### A. ALTERNATIVES TO LIVING WITH MACHINES

Lamb maintains that the future of underdeveloped countries centers



around the "global problem of how to live with machines".<sup>1</sup> To him, the present world movements of new nations can only be understood within an historical context.

The struggle now going on around the globe is about the terms on which people in underdeveloped countries are going to organize their societies in an industrial age. Their elites are seeking, as did the American Revolutionary elite, to form new nation - states for the sake of national development. The struggle of these peoples for self-determination is complicated by the fact that the world is polarizing around two great powers, exponents of two different answers to this global problem.

The American answers are those of an elite forced by events to form a commercial nation-state; the Russian answers are those of an elite forced by events to form an industrial nation-state.<sup>2</sup>

It is obvious that in Lamb's view, elites play a key role in both the developed nations and the developing nations. Also, central to his discussion of elites is the importance of the metropolis. The metropolis is defined as an urban center to which is assigned the powers of decision-making for the surrounding community. Thus, a description of elites must include, not only its functions, but its location - the metropolis.

Those who occupy the strategic points of decision-making in a metropolis and control its decisions are here called its "elites," regardless of whether these strategic points over which they preside are economic, social, or political. The elite in a metropolis is only part of the larger body of elite needed to direct the affairs of a whole community; but, because of its central position, it tends to preside



over the majority decisions for that community.<sup>3</sup>

In the dynamics of organizing nations and building new institutions, elites are bound by the history of the nation, and the culture and society in which they operate. Similarly to Mosca's political formula, Lamb suggests: "Their (the elites') success depends upon their ability to transform these inherited factors into a new system directed toward their new goals."<sup>4</sup>

The response to "living with machines" is principally seen as an interaction among historical trends, the role of elites, and the role of the metropolis. Lamb states that one can better understand the dilemma of elites in developing nations by looking at the conditions that surrounded the American Revolution and the Russian Revolution.

#### 1. The U.S.

The U.S. inherited the economic tradition of the British Empire and the London metropolitan economy. Lamb traces the beginning of this tradition from its feudal origins and the emergence of the city-state. The feudal family was founded on a belief in divine right. The belief in divine right supported a system of nobility and landed gentry.

The city-states emerged from this feudal system as islands of commercial communities. The family still played an important part in the maintenance of the economic community. The merchantile families intermarried providing a close-knit community. But the merchantile family was susceptible to unlimited liability. This, according to Lamb, gave rise to corporations. The joint-stock approach provided limited





liability but also gave birth to the problems of maintaining unity within the community.

Nation-states evolved from the city states. Nation-states were based on commerce and led by commercial elites. The nation state, to extend its markets and economy, developed a policy of conquest or "imperialism."

"The United States was organized to provide new answers as to how to live with the commercial revolution, at the same time the machine civilization was just getting a start in Britain and before either country had faced the organization of nation-states. This country, by a century and a half of development of the industrial revolution within a commercial society, has become the greatest exponent of private enterprise as the answer to how to live with machines."<sup>5</sup>

The American elite was faced with the problem of maintaining itself as a commercial nation-state while breaking with the parent, Britain. By successfully attaining political independence from Britain in a revolution aided by British rivals, the new American Nation was in a position to negotiate a return to the London commercial economy as a junior partner. Lamb sees The American Revolution as economically based and instigated by an economic elite who achieved power after the revolution.

To achieve such a new national system, they must alter their own social structure as an elite. The development of each elite requires some system of social mobility and some method for self-perpetuation; the means whereby elites maintain themselves differ markedly from one society to another; they express the style of each elite and their solutions to the problems confronting them. Like most early aristocracies, the American elite (including merchants and landed



gentry) were bound together by the family system and its extended-kinship groups. These families dominated the towns and countries of each original colony and gave each little city-state its own aristocracy.<sup>6</sup>

After the revolution the elite began to subdivide into functional elites, giving rise to a new-model elite corresponding with the new-model nation-state. Industrialization reinforced the commercial interests in the U.S. and, following along the lines of the British Empire, the American nation embarked on a policy of foreign investment, sometimes referred to as economic imperialism. By the 1920's the U.S. had become full heir of the British economic tradition and responsible for the world commercial system. The parting of Britain from the leading position in world economic affairs not only saw the demise of a world power; but, according to Lamb, signaled the end of the commercial revolution.

If we pause, in our analysis of the effort of men to learn to live with the machine, to ask ourselves what it signified to have Britain lose her leadership of the world metropolitan community, we must conclude that the commercial revolution was over and that the underdeveloped nations of the globe were ready to domesticate the industrial revolution for themselves.<sup>7</sup>

The network of trade centering on London gave way with the loss of the British Empire rule of the seas and the simultaneous rise of nationalism. The U.S. inherited the London commercial tradition, but not the same world empire market. The resignation of Britain "... left the United States to confront the Soviet metropolitan community."<sup>8</sup>



## 2. The U.S.S.R.

Russia confronted a different complex of problems in relation to the industrial revolution. Russia had remained isolated from the technological advances made in Europe and Britain. When in 1917 the impetus toward mechanization was undertaken, it was apparent that new institutions and technology under the direction of new leadership would be necessary. The U.S. pattern was a practical impossibility.

The old methods of organizing national elites as decision-makers for commercial nation-states were too difficult for, and perhaps unavailable to, a country which had driven out or destroyed its relatively small aristocracy and business class and wanted to become a great industrial nation quickly.<sup>8</sup>

The Soviet developed a new elite, the Communist Party, to undertake the task of urbanization of Russia. The Party was to control industry and plan production. This was the Soviet alternative to private enterprise. In 35 years the Russians achieved a continental industrial economy. Such rapid transformation is a challenge to the U.S. commercial alternative.

The challenge of Soviet Russia arises from the fact that, at this juncture in world history when the underdeveloped countries of the globe are already to domesticate the industrial revolution, the Russians have had thirty-five years of experience in industrializing their underdeveloped country. The Russians know the industrial revolution is today a complex entity which can be exported to the backward areas of the world, set up there and made to run. They have developed a continental economy stretching from East Germany to Siberia,





tioned in together with hundreds of new urban centers, and organized at least its heavy industry along modern lines. They have centralized this society around the national metropolis of Moscow, which since the recent war is becoming the capital of its own Communist world metropolitan community. In the process they have drawn into their industrial society over a hundred peoples living in the borders of the Soviet Union and altered their way of life.<sup>9</sup>

Recent trends have shown that the Russian and American alternatives have been coming more alike in dealing with industrialization.

Firstly, the British tradition of trading for profit in underdeveloped areas has been severely limited by the rise of autarchy in advanced nations and nationalism in the more underdeveloped countries:<sup>10</sup> the commercial revolution is coming to a close. Secondly, bureaucracy in both Russia and U.S. has assumed a bulk of the work in maintaining each system.<sup>11</sup> Finally, in relation to underdeveloped countries, both the U.S. and Russia are bidding for the emerging nations to join their own blocks.

It is obvious that the nations attempting to create domestic industries are doing so from a national interest. "Spokesmen for these people in the United Nations do not want the Russians or the Americans to control the process. They want to industrialize their own country."<sup>11</sup>

## B. INTERNAL ADJUSTMENT TO EXTERNAL INTERVENTION

Lamb dealt with the historical factors leading to the polarization of industrial versus commercial alternatives as facing nations





wishing to enter the age of machines. Richard Behrendt takes a further look at this process from another perspective. Behrendt is interested in the relationship of the introduction of external technologies, values and ideas into a society and the concomitant reorganization of that society: What Toynbee terms "challenge and response". Behrendt framed the problem in this manner:

The development process in question here is exogenous; that is, created by contact with more advanced and more active social systems which, during the period of western expansion, opened the less developed - and in this sense, inferior - social systems to their influences.<sup>12</sup>

#### 1. Dynamics Versus Statics:

The main problem, for Behrendt, is that of "dynamic" Western culture coming into contact with the static, traditional non-Western culture. The social infrastructure or the internal organization of any "primal" society has basic characteristics which in turn influence the possibility of economic development. The basic characteristics of these societies are:

1. A social structure based upon traditional and religious values.
2. A static technology and economy which lacks articulation with modern techniques and social hierarchy.
3. An authoritarian government of the monarchical - absolutist or oligarchic - feudal type.



4. Extreme inequality in the distribution of wealth between a small class of estate-owners and a large propertyless or otherwise impoverished class.

5. A numerically insignificant middle class.

6. Great significance imputed to the integrating role of primary groups with communal Gemeinschafts character, such as extended family, the tribe, the village.<sup>13</sup>

These characteristics of the infrastructure influence economic development possibilities. The infra-structure determines the framework within which economic and technical advances can be achieved and promotes or hinders the social mobility necessary to achieve the economic and technical goals. As the ideas and values behind "development" are external in origin to the people of the country, it is necessary that the population become aware of these ideas. For Behrendt the elites play this role in development.

## 2. The Elites:

Concerning elites Behrendt writes: "The word itself connotes individuals who have been chosen or designated in same way. In the sociological sense, it is the selection of those who, for reasons of knowledge or social status, can influence the development of their social unit."<sup>14</sup> This definition is similar to Kelner's in that it includes both status and qualifications. Such a definition is a functional concept in that it includes all those positions of social power with relevance in social stratification and social change.



Behrendt's main concern is with new elites. The new elites are those who influence social and economic development and who come to power through forced social change or who actively support the process of change.

This general characterization of new elites does not hold true for Latin America, however. "In Latin America, the social power positions are occupied largely by the old elite. There we find no new national independence to serve as a stimulus for change in the social structure, but rather a stagnant situation."<sup>15</sup>

Given the basic situation that most of these countries are or have been under the control of old, autochthonous elites, their general reaction to the external intrusion of Western technology and ideas is to isolate this influence by confining it solely to the areas of technology and business. This in part neutralizes foreign influence and insulates the social structure and non-material culture.<sup>16</sup>

In this context Behrendt considers countries as Brazil, El Salvador, Paraguay and others in Latin America. Although the form of government may not be absolutist here, the upper stratum, due to its exclusive power position, is able to make the laws, ignore and silence criticism, and benefit as prime or sole participants in the fruits of whatever progress they elect to allow. The masses live in bitter want, deprived of closer knowledge of the advantages afforded by innovations from outside.

According to Behrendt, this upper stratum must sooner or later give way to the new elite. First, the demands of introducing new technology and ideas even into the isolated fields of business and





technology brings along with it the need to train personnel from outside the upper strata. This brings the worker into contact with the dynamics of change. Secondly, the process of industrialization produces the need for institutions such as foreign services and diplomatic corps either economic or political. This innovation brings with it the necessity of educating personnel abroad. Thirdly, the prerequisites for modern nationhood imply a technically trained staff, an efficient health and education system, police and defense forces and public works. All of these demands threaten traditional and static life styles and promote a degree of social mobility.

Gradually the foundations of traditional social stratification will give way to a new academic elite which functions according to the efficiency principle. Behrendt then postulates, as does Kelner, the institutionalization of social mobility. But again the same problem appears. Social mobility, in fact, does not become institutionalized; but tends to become prematurely solidified.

In underdeveloped countries, this problem of social mobility is particularly thorny; the new elites come up by way of the efficiency principle while at the same time they attempt to entrench themselves and make their newly-won status positions inviolable.<sup>17</sup>

### 3. The Middle Sector:

The breakdown of the dichotome between upper stratum and the masses comes with the formation of the middle sector from which will



emerge the new elite. Behrendt postulates that this middle sector is endowed with modern concepts but not directly associated with the traditional oligarchy. This separation implies that the emergent sector is not interested in preserving the social structure.

Some critics of this position maintain that, at least for many countries in Latin America the middle sector is not an emergent sector from the masses, but rather the decline of members of the upper sector due to factors such as increased population.

Like Mosca's second stratum, the middle group forms a group involved in vocations resulting from industrialization and mechanization. Whether the second sector is emergent from the masses or remnant of the upper sector, it is this middle group which forms the new functional elite.

The new functional elites are composed of teachers, bureaucrats of all levels, jurists, physicians, engineers, architects, agronomists, and military officers. As members of the thin middle stratum they are forced to accept the role of "marginal man."<sup>18</sup>

This new elite then develops an ideology different from the traditional elite. Having a foreign education and being specialized affords this group of greater mobility. The new elite not only contrasts itself with the old elite but also is markedly different from the masses. For example, the Mestizos and Mutattos rose from the lowest social levels and now regard the Indians, with whom they grew up, with disdain. They abandoned their mother tongue and assumed Spanish as their means of communication.

The emergence of the new elite then brings the total of identif-



iable elite sectors in any developing country to three. First, there are the old elite supported by traditional and religious values. Second, there is a European or foreign elite which usually functions in the capacity of advisors to the old elite. Finally, the new elite who monopolize technical know how. This new elite usually forms the core of a nationalistic movement which often stresses the implementation of a planned economy.

#### 4. Entrepreneurs:

As development rolls on a new group emerges which aids in the social development process: the entrepreneurs. The entrepreneur is characteristically recruited from one of four sources: 1. The adaptable, progressive, wealthy members of the traditional elite. 2. Marginal groups (i.e. immigrants). 3. Adaptable employees of foreign firms. 4. Relatives, friends, and political hangers on the new rulers.<sup>19</sup>

Entrepreneurial groups differ from those groups who supported economic development in the "West". The new entrepreneurs lack the "innerworldly" ascetism which originally developed with the role of entrepreneur.<sup>20</sup> Also the marginality of the entrepreneurs puts them in a different position relative to the social structure. These two divergences have implications for economic organization:

- a) In the absense of an ascetic entrepreneurial type, state support becomes necessary, and with it grow the political interest groups concerned with financing business and prot-





ecting it from effective competition.

- b) As a result of this dependence relationship, the entrepreneurs not only become a supporter of state intervention in the economic spheres, but especially of ideology of national economic independence.
- c) The new elite groups - the "new intelligence" of younger army officers and entrepreneurs - are the main internal agents of social dynamics and cultural change and are thereby the activistic cells or nuclei of the social development process.<sup>20</sup>

## 5. Social Mobility and Economic Development:

Both Behrendt and Keller postulate an increase in social mobility as the old elite or ruling class break down and give way to the new functional or strategic elites. But a discrepancy between social mobility and economic development soon makes itself manifest.

..... Vertical social mobility appears early in the development process but tends to stagnate soon, through the hardening of new oligarchies, thus endangering the necessary formation of larger integration forms (even beyond the national state) and continuous economic development.<sup>21</sup>

Bottomore expresses concern about the elites not only in relation to social mobility, but as creating a new divided social system.

There remains the difficulty that in many underdeveloped countries the elites are very widely separated from the rest of the people, by their Western education, by their origins in high casts, in land-owning or business families, or in families of tribal chiefs, and by their whole style of life.





the situation presents the danger that some kind of authoritarian rule will grow up, especially when we consider the long habituation of the people in these countries to such forms of rule. At the same time, the prominence attributed to, or acquired by, small elite groups partly defeats the purposes of planned economic growth, by excluding or discouraging enterprising individuals in the lower, and traditionally submissive, strata of society.<sup>22</sup>

Another hindering force in economic development is the "academic title syndrome". Aspirants to the new elites see academic degrees as the sure way of attaining elite status. Generally, though, such programs result in superficial knowledge especially in the humanities which is irrelevant to developing countries. Along with attaining elite status, the acquisition of a life style promoting consumption is readily affirmed by the new functional elites.

A third problem area is encountered when the new elite, in a rush to assert international independence, become preoccupied with foreign affairs to the detriment of domestic planning.

Such processes reinstate the original polarization between elite and masses.

Although the policies of the government may be ideally aimed towards achieving a vast measure of social equality for the masses and economic and social progress, the manner in which this development is attempted leads to an inevitable dissociation of numerically small new elite from the masses.<sup>23</sup>

The impetus for this estrangement can be identified: the marginal elite as highly literate men find themselves in a non-literate environment, a part of the country physically but not psychologically.



There are also cases of conflict between the new elite and the descendants of the old regional elites. These heirs of tradition have often strengthened their positions by western education and are able to defend and maintain their status in spite of the new centralized elite. In Latin America some of the so-called great families have retained control of resources and industrial wealth.<sup>24</sup>

#### 6. Conclusions:

Behrendt concludes with the realistic note that:

"Under the watchword of promoting development, a new authoritarianism is now emerging, namely that of the centralistic, national state elite and bureaucracies which proclaim new goals but tend to entrench themselves in the traditional power patterns."<sup>25</sup>

#### C. ELITES, METROPOLIS, AND DEVELOPMENT

The traditional approach to the problem of underdevelopment has been framed in terms of dealing with the external intrusion of a dynamic technology into a static, feudal society and the dilemma of integrating the two. This seemingly straight-forward and simple statement of the problem has been the source of much confusion among theorists working in the area of development. Primarily, the confusion stems, not so much from what is explicitly stated, as from what is implicit in the original formulation of the problem.



# 1. The Original Formulation:

The original model of development can be inferred from both Lamb's and Brehendt's discussion of development. Lamb emphasizes the point that development is primarily a problem of adjusting to machines. Brehendt put the technological innovation in a framework of the external intervention vs. the internal readjustment to the machines. From the two a model of economic development can be constructed.

FIGURE IV



This model can be seen as the original formulation of the way in which development should proceed for the underdeveloped countries. Since technology and industry had produced such a high standard of living in the developed areas in so short a time, it was proposed that the introduction of technology would do the same for those countries which remained underdeveloped. This model became expended to include the evolutionary theory popular during the 1940's and became a model for the evolution of all societies. The industrialized nations were conceived of as the more progressive and advanced phase of evolution, and from this insight it was hypothesized that the natural evolution of societies would proceed from primitive, agricultural forms to more advanced industrial forms of society.





FIGURE V

STAGE I		STAGE II	STAGE III	
PRIMITIVE	)	TRANSITION	ADVANCED	)
FEUDAL	)		MODERN	)
UNDERDEVELOPED	).. SOCIETY		DEVELOPED	).. SOCIETY
NON-INDUSTRIAL	)		INDUSTRIAL	)

Since the developed nations had gone through such a process of stage development, it was further hypothesized that the underdeveloped countries would go through the same stage development.

FIGURE VI

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PRIMARY DEVELOPMENT

$t_1$	STAGE I	STAGE II	STAGE III
	Underdevelopment	Transition	Development

SECONDARY DEVELOPMENT

$t_2$		STAGE I	STAGE II	STAGE III
		Underdevelopment	Transition	Development

---

It is this formulation of development which provided the basis for the theory or ideology of economic development as described by Friedmann in Chapter I. The nations finding themselves as underdeveloped could achieve development through industrialization and thus attain the "unlimited expansion of a nation's capacity for production and consumption."<sup>26</sup>

But the simplicity of this model has failed to take into consideration many of the complexities involved. Firstly, primary develop-



ment differs from secondary development in that the total technological complex generated during the first process of industrialization is not duplicated in the process of secondary development. Rather, the total technological complex as a fait accompli of primary development is already present at Stage I of secondary development.

Secondly, it is not only technology which has evolved in primary development, but also the institutions, values and attitudes which were simultaneously generated by the move toward industrialization. Therefore, economic development is not just a problem of introducing a technology into a given society, it also bears the burden of introducing new non-material innovations, e.g., values, attitudes and institutions, into the "underdeveloped" society.

Thirdly, there must be a consideration of the relationship between those nations having first achieved development and those attempting to attain similar standards of living. This aspect of the "ideology of economic development" is most often implicit in contemporary writings and rarely stated. The relationship of the developed countries and the underdeveloped countries is essentially a power relationship of dominant and subordinate. The way in which this power relationship is presented varies with authors. Those proponents of the "ideology of economic development" would express this relationship implicitly as did Millikan and Blackmer in Chapter I. Translated loosely and perhaps exaggeratedly this position holds that economic aid will continue if (1) the developing countries will not align themselves with countries remains the possession of the advanced nations and not a game in which the underdeveloped nations should engage. (3) orderly govern-



ments remain in power, vs. revolutionary governments, and (4) underdeveloped countries rubber-stamp with U.S. foreign policy.<sup>27</sup>

Opponents of the "ideology of development" describe the relationship between industrialized and non-industrialized nations quite explicitly as did Prebisch, terming it a metropolis-periphery relationship, or Frank using similar terminology, as the metropolitan-satellite relationship. This position also implies a reformulation of the model as appears in Figure III. Such a reformulation will be discussed below.

The fourth consideration which complicates the original model of development relates to the screening process of the receiving society: As the technological intrusion brings with it cultural innovations, the complexity of reactions both in relation to the traditional culture and in relation to the leaders within the society alters the proposed direction of the evolutionary process.

The first two considerations relating to altering the model are rather straight-forward. What needs to be more fully elaborated are the implications of the third and fourth considerations.

## 2. The Reformulated Model:

The inadequacy of the original model has been extended to incorporate new concepts in an endeavor to salvage the model. Two concepts which have occurred throughout the more recent literature are (1) the concept of elite and (2) the hinterland-metropolis concept.

It should be made clear that the inclusion of these new concepts

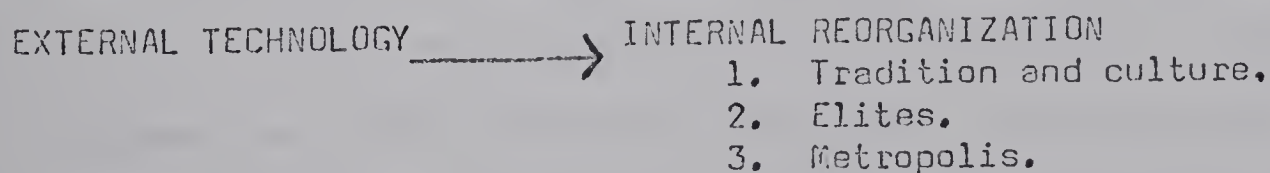




into the ideology of economic development (1) in no way alters the flow of the original model, i.e., progression from a primitive stage to a more developed stage, (2) and in no sense can these concepts be seen as applying to anything higher than the internal affairs of the developing state, as used within the framework of the ideology of economic development. The elite analysis and the metropolis-hinterland approach are export products only. What this means is that while the internal relationships of elite sectors and of the metropolis-satellite within the developing country are subject to analysis by these concepts, rarely is the relationship between the developed nations and the under-developed nations, or for that matter the internal matters of the developed country analysed in relation to elite analysis or metropolis-hinterland approach.

Lamb and Behrendt provide a good example of the reformulation of the ideology of economic development. Complicating the original model as represented in Figure I, Lamb presents additional factors affecting the internal structure of reorganization.

FIGURE VII



What Lamb proposes is that in attempting to domesticate the machine (external technology) the elites must attempt a reformulation of tradition and culture to coincide with the intruding technology and





technological culture in order to form an independent nation-state. The reformulation will be initiated by a new urban elite which will rise up from the middle class and challenge the position of the traditional elite.

The fight for dominance among the traditional, foreign and new elite will primarily be an urban phenomenon, since the urban centers act as the decision-makers for the surrounding areas. Thus the impetus to change will come from the elite sectors in the metropolitan centers. The internal organization of development from the beginning is one of an internal hinterland-metropolis relationship.

It is furthermore proposed that the traditional elite will be unable to maintain its leadership position in face of industrialization, and the foreign elite will lose power due to the nationalistic movements of the middle class. It will then be left to the new middle class elite to assume responsibility for development. Behrendt also affirms this position when he asserts that the new academic elite will take over and will function according to an efficiency principle.

Throughout their discussion, both writers adhere to the principles that technologically underdeveloped societies are primitive, feudal, etc. In other words they have not progressed beyond primitive pre-development while the developed nations have progressed beyond stage three. The authors implicitly hold that development will occur in the same stage process as primary development, though conceding the point that the character of the elites will differ. Yet it is interesting to note that both see the impetus of change as coming from a middle class group who form an elite to challenge the old elite.

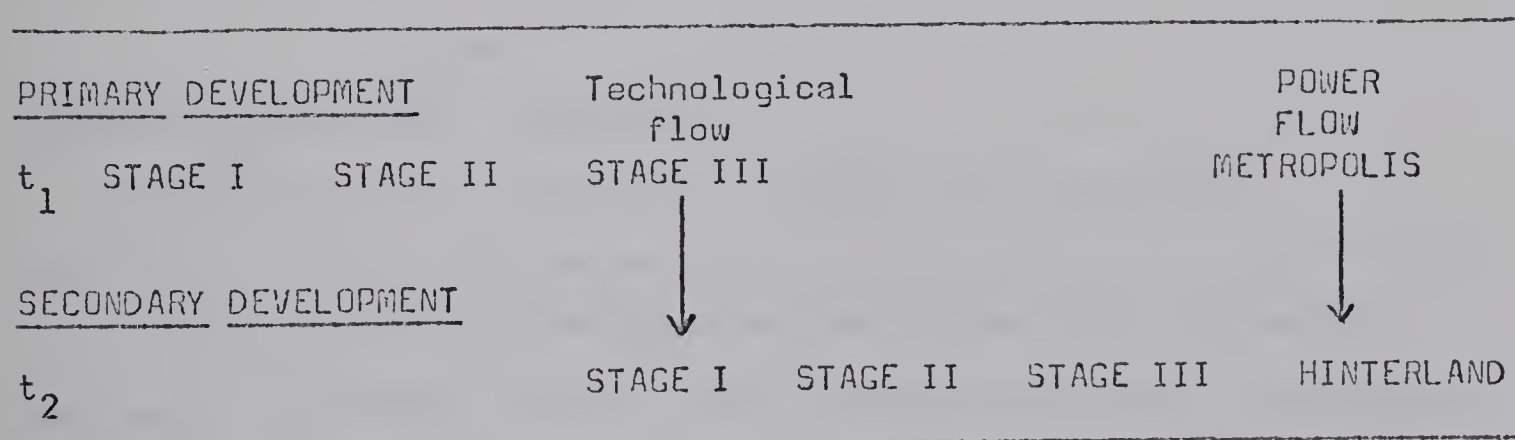


At this juncture it might be well to consider alternative models given the same concepts of hinterland-metropolis and elites in order to evaluate the validity of Lamb's and Shientdt's assumptions.

2. Alternative Formulation:

- a) Hinterland-Metropolis: If the newly initiated concept of the metropolis vs. the hinterland is expanded to include both internal and external relationship between developed and underdeveloped nations, it is possible to include the way in which power fits into the model.

FIGURE VIII



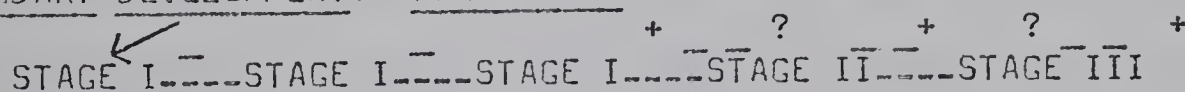
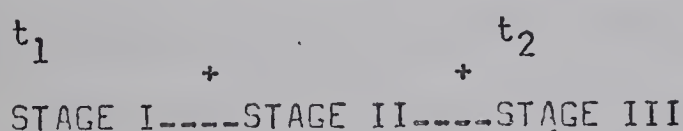
And again, if the historical dimension is taken into consideration as proposed by Frank, Prebish, or Cardoso, a further relationship between primary and secondary development can be concluded. Frank proposes that the rise of the industrial-metropolitian-"developed" centers occurred as a result of the capitalist-mercantilist system and at the expense of the non-industrial-hinterland-underdeveloped centers.

To be more explicit, when an investigation begins before the rise of mercantilism, there is no distinction between developed or under-



developed countries. As the economic system known as mercantilism and later evolved into capitalism became prominent, a definite division becomes visible between the imperialist areas and the exploited areas. The price of development was paid in significant part by those nations who were exploited. Thus, as far back as  $t_1$  there existed a relationship between the nations which are now called developed and under-developed today.

FIGURE VI



The alternative formulation of the problem then brings into question: (1) To what extent can the original model which postulates the initial stage of development to be feudal, static or primitive be valid? If the process of development occurred at the expense of underdeveloped areas, change must have been as rapid and radical in the exploited areas as in the industrialized areas. This aspect of Latin America's problem complex will be traced in Chapter V.

(2) If development produced underdevelopment, to what extent can credibility be placed in the hope, belief that the same dominant-subordinate relationship won't continue and that the exploited nations





will suddenly find themselves free to develop?

b) The Internal Role of Elites: If the reformulation of the development problem according to the external-internal metropolis-hinterland model is accurate, the nature of Latin American society must also be re-evaluated. Behrendt described all underdeveloped countries as being feudal and static. He listed six basic characteristics as applying to non-industrial societies, (see page 56).<sup>28</sup> But none of the characteristics mentioned necessarily designates a static or feudal society. It is possible to see some of these characteristics as attempts at efficient reorganization of society to cope with situation of being exploited, rather than carrying on static traditions.

The nature of elites in the society would also be affected by an alternative model. If, in fact, "traditional elites" are simply traditional in name, that is, the elites have been termed traditional as the society has been called static when in fact the society has not remained static and the elite has changed from what is defined as traditional or feudal, might not the source and direction of change be different? Behrendt acknowledges that Latin America is an exception to the rule that a new elite will emerge victorious in that the revolutionary elites of the independence movements were part of the "traditional" elite.

While postulating a take-over of the rising middle-sector as the new elite, and acknowledging the unique position of Latin America, Behrendt goes on to analyse the situation as if L. A. were the same as the rest. But there exist barriers to middleclass upward mobility even in non-Latin American countries. The exceptions which are presented



unwittingly support the alternative interpretation of the development model.

Firstly, though the internal elite are subordinate to the metropolitan elite, within their own country they (especially the "traditional" elite) have control of the amount and rate of intrusion from the West. Technological innovation can be limited to business and industry; and thus, as Behrendt puts it, the elite can neutralize the foreign influence and insulate the rest of the culture from the non-material innovations. Behrendt maintains that even though foreign innovations are confined, the need for competent personnel in business and industry will result in the diffusion of Western influence and result in discontent among the middle class. But what is considered here is the nature of the middle class and its relationship to the elite.

Behrendt in line with the ideology of economic development sees the middle class as an emergent group, espousing a new ethos based on efficiency and technology, embodying modern concepts, not tied to the traditional rulers or to preserving the social structure, and bent on taking over the system. But as will be discussed in Chapter IV, there is reason to hold that the middle class in Latin America is not an upwardly mobile group at all, but the downwardly mobile section of the upper class who are committed to the values of the ruling community and dedicated to preserving the social structure as is. Then, it might be held that innovation is safely contained within the upper sectors of Latin American society with the middle class acting as a second



stratum.

Another hitch in Behrendt's argument is his acknowledgement of the phenomenon of premature closure. Mobility is severely limited limited to the period of initial expansion, a position expresses by Keller and Kelner, (see Chapter II). Whether the pressure for closure comes from the middle class members who achieved positions opened by technological innovation in an attempt to hold on to the position in the same way as the traditional elite, as Behrendt suggests, or whether closure comes through the downward flow of elites into positions opened by the introduction of technological innovation, the point is that mobility is severely limited and that the basic distinction between elites be they new or traditional and the masses remains.

The final confusing factor preventing a new elite take-over is the pattern that some of the "traditional" elite have developed. The traditional elite are acquiring the knowledge and techniques necessary to direct the process of industrialization. This trend will be elaborated further in the final chapter.

What emerges from this discussion is that in order to accommodate inadequacies in the ideology of economic development, the use of elite analysis and of the concept of metropolis-hinterland were introduced into the "ideology of underdevelopment.

Lamb and Behrendt provide good examples of how the development literature has incorporated both concepts into the stage-model. They also exemplify the fact that much of the ideology remains implicit and that by explicating some of the factors involved, alternative models emerge.



Chapter IV will continue the discussion of the internal role of elites in relation to Latin American social structure.





## FOOTNOTES

<sup>1</sup>Robert Lamb, "Political Elites and the Process of Economic Development," in Bert Hoselitz (ed.), The Progress of Underdeveloped Areas (Chicago: University of Chicago Press, 1952), p. 31.

<sup>2</sup>Ibid, p. 30.

<sup>3</sup>Ibid, p. 32.

<sup>4</sup>Idem.

<sup>5</sup>Ibid, p. 31.

<sup>6</sup>Ibid, pp. 36-7.

<sup>7</sup>Ibid, p. 45.

<sup>8</sup>Idem.

<sup>8</sup>Ibid, pp. 31-2.

<sup>9</sup>Ibid, pp. 46-7.

<sup>10</sup>Ibid, p. 50.

<sup>11</sup>Ibid, p. 51.

<sup>12</sup>R. F. Behrendt, "The Emergence of New Elites and New Political Integration Forms and Their Influence on Economic Development," Transactions of the Fifth World Congress of Sociology, II (Louvain: International Sociological Association, 1962), pp. 3-4.

<sup>13</sup>Ibid, pp. 5-6.

<sup>14</sup>Ibid, p. 8.

<sup>15</sup>Ibid, p. 9.

<sup>16</sup>Idem.

<sup>17</sup>Ibid, p. 11.

<sup>18</sup>Idem.

<sup>19</sup>Ibid, p. 15.

<sup>20</sup>See Max Weber's Protestant Ethic and the Spirit of Capitalism.



<sup>20</sup>Behrendt, op. cit., p. 16.

<sup>21</sup>Ibid, p. 21.

<sup>22</sup>T. B. Bottomore, Elites and Society (Middlesex, England: Penguin Books Incorporated, 1964), p. 109.

<sup>23</sup>Behrendt, op. cit., p. 26.

<sup>24</sup>Ibid, p. 29.

<sup>25</sup>Ibid, p. 31.

<sup>26</sup>John Friedman, "Intellectuals in Developing Countries," Kyklos, Vol. 13, (1964), p. 532.

<sup>27</sup>Francis M. Bantor, et. al., The Emerging Nations: Their Growth and United States Policy, Max F. Millikham and Donald L. M. Blackmer, eds. (Boston: Little Brown and Company, 1961), pp. x-xi.

<sup>28</sup>Behrendt, op. cit., pp. 5-6.



## CHAPTER IV

### LATIN AMERICAN SOCIAL STRUCTURE AND THE HISTORICAL ROLE OF ELITES

Behrendt alleged that traditional societies are largely static societies in which the social structure is represented by a small wealthy class and a large propertyless class. The middle class is largely absent. Government is authoritarian and usually enacted by the same small elite. Tradition and religious beliefs maintain the rationale for the status quo. Family, tribal, or village allegiances not only provide integration, but also a means of perpetuating class differences. In this chapter we shall review the historical evidence to assess how well Latin America has filled this pattern.

#### A. SOCIAL STRUCTURE

Latin America has historically been a land of hierarchical social stratification. The civilizations of the Mayas and the Aztecs were built around an urban elite and supported by the rural masses. The Spanish conquest brought with it a similar hierarchy of power and social structure which made the transition from a native elite to a conquering elite much easier. The replacement of the native elite by the conquering Spanish elite points to what Saint-Simon suggested: The elites changed but it had little effect on the position of the ruled.





# 1. The Two-Class System:

Modern class systems in Latin America can be traced to the institutions of Spain and Portugal at the time of conquest.

Class lines were strongly drawn and tended to become in part racially defined. The basic class structure is usually defined as a dual class system with the small upper class rationalizing its hereditary position by invoking divine authority and inherent superiority.<sup>1</sup>

At the time of conquest the two-class system of conqueror and conquered depicted the organization of New World society. But Spanish conquerors were unlike their northern English-settler counterparts. Intermarriage was very prevalent, and a new group identified as mestizos emerged as those with both Iberian and Indian ancestry. At the same time slaves were brought from Africa to take the place of Indians who had died from disease or overwork in the colonial mines. The Africans intermarried with the Indians whose offspring were called mulattos.

Even though much intermarriage took place, one might argue that at the levels of social interaction and political power a polarization of Iberians vs. Indians was visible throughout the early colonial times. Iberians themselves were internally divided into two strata: (1) the peninsulares and (2) creoles. The Peninsulares were those born in Spain and who usually returned to Spain after serving their term in the New World or acquiring enough wealth to return to Spain. This group monopolized the administrative positions of the colonies thus holding the power and prestige positions within the New World social structure. The Creoles, on the other hand, were the colonizers who had left Spain and



remained in the new world, and the decedents of these immigrants. The creole position within the social structure was entirely subordinate to the peninsulares. The only link uniting the peninsulares and the creoles was common ancestry.

At this point a problem of deciphering just how much the division of class was based on heredity arises. Though the obvious rationale of racial classification was dominant as a policy of maintaining class barriers, there is some question whether this worked out in actual practice. Contemporary researchers have concluded that class in fact was more often a problem of life style, clothing and language, than a problem of heritage. "Similarly, in Mexico the Indian who moved to the city quickly became Hispanicized and cast his lot with the Spanish rather than with the Indian."<sup>2</sup> The phenomenon of "passing" became prevalent and was complicated in later colonial times by the sale of titles and honors so that proof of descent became a matter of how much one would or could pay. The hereditary basis for class was retained as a "myth" or "political formula" which acted as maintaining the barriers between the working classes, i.e., mestizos, Indians and mulattos and the upper class, i.e., peninsulares and creoles. The hereditary rationale also served to maintain the allegiance of the creoles to the peninsulares, thus acting as a buffer second stratum, and staving off any alliance between the working class and the creoles.

So for a time, a ruling class and the masses did exist.

There also seems little doubt that the managerial groups of all levels as well as a considerable variety of artisans and traders identified their interests with those of the



upper class or at least considered themselves clearly apart from the lower-class mass. Thus, while from the point of view of the upper class the difference in social distance or economic position may have been indistinguishable, it was clear and significant when viewed from a lower level.<sup>3</sup>

The verbal insistence upon heredity as the basis of class distinction has continued until the present, but in fact such a distinction is artificial in relation to actual heredity. But one of the consequences of the "myth" has been the continued importance of family. "Thus, in the majority of Latin American countries, 'family' remains one of the strongest criteria not only for social position but for sharing wealth and power."<sup>4</sup> The attitude toward manual labor has been shaped by the traditional division of the working class vs. those of the upper class. A gentleman works with his head not his hands. The prevalence of this view is exemplified by some contemporary findings which propose that in some areas in Latin America, laborers have developed a type of self-hatred and express the preference for working with one's head. Those of the working class who have developed a value system in which working with one's hands is valued is the exception. Isolated Indian villages in temperate zones and those of the urban working class who have adopted the Protestant religion represent divergences from the generally held attitude that it is degrading to work with one's hands.

Source of wealth, family position, class consciousness, status significance of various occupations, and the deeply entrenched dichotomy between those who work with their hands and those who do not, retain great symbolic value.<sup>5</sup>





The importance of the family and the attitude toward manual labor combine to produce a unique form of stratification. As Beals notes: "In these cases the mechanical adoption of any North American model for the analysis of class or stratification leads to absurdity."<sup>6</sup>

## 2. The Three Class System:

Since the time of colonization, many factors have forced the bi-polar class model to expand. As Mosca suggested, modern societies cannot be seen as a simple case of the rulers and the ruled.

In varying degrees the feudal base of Latin-American class structures still persist, but the usual description in polar or two-class terms is even more inadequate to describe the current situation than it was in colonial times. The most feudal of the aristocratic upper classes is still subdivided by inherited wealth, wealth in land or mining, position in the bureaucracy, or profession. Relative rank within the class, however is still mediated by birth or family connections, and to a considerable degree entry into the elite is still conditioned primarily by family.<sup>7</sup>

The structure of the Latin American class system has given rise to much controversy among North American and European social scientists. Basically, the question is narrowed down to three positions. While some maintain an elaborated feudal two-class system persists, others postulate a new middle class which is oriented toward old upper class values. A third group agrees that Latin American social structure is now basically composed of three classes, but the role of the middle class is similar to that of the middle class in the United States.





Lowry Nelson represents those who take the position that a two-class system persists in Latin America.<sup>8</sup> His studies of Cuban social structure use the sociopsychological variable as the criteria in determining social class. Thus, the distinctions between manual and non-manual labor and the distinctions between those who have servants and those who do not are central variables in that the type of work one does influences one's self-image. Upper class consists of all descendants from upper class families and persons of managerial and clerical positions regardless of the present income or wealth for both manual and non-manual laborers.

Another position is taken by Lynn Smith. He alleges that there are characteristically three classes in the Latin American social structure.<sup>9</sup> Using Columbia as an example he maintains that the middle class aligns itself with the upper class. This position is also held by Beals who notes:

...There are few chances to rise, while the high reproduction rate of the upper class makes it impossible for all offspring to maintain the economic position associated with it. Consequently, individuals occupying what appear to be middle-class positions are descendants of the upper class who can no longer keep up appearances and who identify themselves with the elite.<sup>10</sup>

The final view is held by Gerardo Reichel-Dolmatoff who upholds the position that the middle class is similar to the middle class in the United States.<sup>11</sup>

The difficulty in comparing these positions is that the authors don't present data which would be used to compare their conclusions.



though theoretical discussions are characteristic of Latin American literature, it does not help research to be without an empirical referent. Also, the basis upon which class lines are drawn are not uniform. While one might use the socio-psychological dimensions, another might use the socio-economic variables, etc.

However, Reichel-Dolmatoff unwittingly does affirm some of Smith's positions especially the validity of the distinction of working with one's hands vs. working with the head.

To clear up some of the confusion, Golschmidt has suggested six bases from which one might employ class analysis.<sup>12</sup>

1. Defined classes.
2. Cultural classes.
3. Economic classes.
4. Political classes.
5. Self-identified classes.
6. Participation classes.

Empirical results may differ with the choice of criteria as well as differ due to differences in national character.

In an attempt to empirically examine the class structure of Latin America, Beals used cultural, self-identification, and participation as the variables in his investigation. By using these criteria he arrived at three conclusions: (1) that basically the Latin American system is a three class system, but has no relation to North American or European systems; (2) that feudal systems and sometimes feudal class structures do persist; (3) and that the term "middle class" must be limited to



those countries in which economic and political indicators define the middle sector and not allegiance to the upper class.<sup>13</sup>

Figure X is a profile of the Mexican social structure based on a result of Beals' investigation. The findings affirm what Behrendt suggested in that the metropolitan elite serve as the core or impetus for economic development. Put another way, it is the metropolitan elite who have contact with the technological and industrial innovations from the industrial countries and are in a position to control or expand access to such innovations. The other finding which comes from the investigation reveals that mobility is freer in Mexico than in other Latin American countries.

In regard to the elites in Latin American countries, Beals concludes: "Elites in the upper class tend to form a harder core of resistance than does the upper class as a whole."<sup>14</sup> Such a conclusion would be in line with the findings of Kelner and her distinction between the strategic elites and the core elites within the ruling community.





FIGURE X

## MEXICO

## Rural

## Urban

Hereditary aristocracy vanishing  
 Few large landowners remain  
 Domination by city businessmen and  
 political leaders

High government officials  
 Industrialists and businessmen  
 Some professionals and intellect-  
 urals of wealth and/or family  
 Heads of church and army  
 Top managerial personnel

Storekeepers, bureaucracy, tech-  
 nicians and managers, teachers,  
 low church and army officials  
 Small landholders

Technicians, middle bureaucracy,  
 some professionals and inte-  
 llectuals  
 Small businessmen and industrial-  
 ists  
 Lower church and army officials  
 White-collar workers and teachers  
 Some skilled workers

Indian--plural  
 cultures:

Small farmers  
 Subsistence  
 farmers  
 Handicraft  
 workers  
 Rural laborers  
 Own internal  
 prestige  
 system

Indo-mestizo:  
 Culture  
 similar to  
 Indian  
 but Eur-  
 ope-ori-  
 ented, mo-  
 bility  
 easier

Mestizo:  
 Small  
 farmer  
 Petty  
 officials  
 Shop-  
 keepers

Mestizo:

Small shopkeepers  
 Petty civil servants  
 Working-class groups  
 regularly employed  
 Domestics

Horizontal  
 and vertical  
 mobility  
 possibility  
 possible  
 but not  
 frequent

Impoverished proletariat  
 irregularly employed  
 Indian in city or factory  
 by definition becomes  
 mestizo

### 3. Recent Trends:

Recent trends have worked to break down the seemingly feudal org-



anization to the point that it has almost disappeared in the European-oriented countries and in Mexico.<sup>16</sup> The decline in the importance of land as a basis of assignment of social status has provided one of the greatest inroads to breaking down the polar system of landed vs. non-landed. But the dicotome of urban vs. rural in relation to the urban elite monopolizing power, wealth and prestige seems to continue. Yet in some Latin American elites admittance of industrialists into the upper classes if not the core elite has occurred. On the other hand, some countries still bar the industrial and commercial classes despite their greater wealth. "Only in Mexico does there seem to have been a thorough reorganization of the upper class in terms of power and wealth."<sup>17</sup>

The relationship of class structures especially the configuration of the upper class to political and social stability can be analysed in relation to how the traditional elite and the industrial-commercial elite interact. On the one hand the new elite or the upwardly mobile old business elite act as a threat to traditional power. But on the other hand, the industrial-commercial elite control the technology and know-how to provide a better standard of living--be it to the community as a whole or simply to the upper class. Failure of the traditional elite to allow mobility of these new sectors into the ruling community may result in political, social and economic instability.

#### B. THE TECHNOLOGICAL/ELITE APPROACH

Alvin Cohen in a case study of Peruvian development also iden-



tifies the conflict or coordination of traditional elites with industrial-commercial elites as a major indicator of how nations will develop. The technological/elite approach is a method of studying economic growth by using two factors: elites and technology.

The study of economic growth in "underdeveloped" areas has been approached from two angles: the use of economic variables and the use of non-economic variables. The use of a combination of non-economic variables in analysing economic growth has proven quite successful according to Cohen. "There are also those (approaches) which combine such factors as technology and an elite, and these explanations have increased in importance relative to the single variable or peculiarly non-economic ones."<sup>18</sup>

Usual technological/elite approaches start from the position that the elite is traditional and static, and technologically ignorant. Researchers also assume that technological change will disrupt the elite and bring persons previously excluded from elite status into the elite circle. A third assumption of the technological/elite approach is that contact with industrial nations will support lower class tension and result in the formation of a revolutionary elite.

Cohen uses Peru as a case study. He assumes that the elite is united in purpose, that it can avoid or channel technological and social change, and that it has an ability to monopolize the benefits of economic growth. Assuming solidarity, the technological/elite approach is used to look at the degrees and characteristics of elite displacement, that is, the assimilation of new elements into the traditional





elite or the entire replacement of the traditional elite by a challenging elite.

Elite displacement can arise from two sources in relation to a given society. (1) External displacement is depended upon the presence and prevalence of foreign sources of purchasing power, i.e., banana republics. (2) The second source of displacement is internal. "An internal approach to the displacement problem would be the formation of a dynamic elite which could compete with the traditional elite for social and political supremacy and which would be welfare oriented."<sup>19</sup> Evert Hagan postulates that new dynamic elites arise either when status is withdrawn from an individual or group or when an individual feels that traditional routes deprive the person of attaining an appropriate status.<sup>20</sup>

As was noted by Beals and is reiterated by Cohen, the Peruvian elite is quite diverse. The Peruvian elite has absorbed the landed and commercial aristocracy as well as the non-aristocratic commercial innovators---what Lewis calls "sensible" absorption of dynamic lower class elements.<sup>21</sup> Five separate elements can be identified within the contemporary Peruvian elite.

1. Lowland plantation owners are now capitalist types dedicated to technological advance, ostensibly because their output competes in internal markets.

2. Highland haciendados are not technologically oriented.

3. Commercial/agricultural mixture are those who formed during the colonial period when successful members of the commercial class





purchased aristocratic titles from the crown.

4. Elites from the guano industry developed during the 1840's.

5. European, non-Spanish surnames of families important, in agricultural, industrial and commercial activities.<sup>22</sup>

The diversity of these elites is unified by two cultural factors. There has always been a tendency for the elite to marry within the group. Secondly, the Latin family concept of father as head increases homogeneity throughout the extended family system. "The family is viewed as a unity of the class institution, rather than as an institution which socially unifies the classes."<sup>23</sup>

Yet, given the internal unity of purpose and the relative ability to absorb new dynamic elites, Cohen predicts that a future split might arise between traditional and dynamic elites.

Whatever the strength of the innovational propensity, there is no doubt in my mind that the current political/economic situation in Peru has forced the more progressive elite to think twice about the problem of one, how long, and two, at what cost the traditionalists can be preserved.<sup>24</sup>

A situation aggravating the separation of the elites is the existence of what Cohen calls the "demonstration effect." The demonstration effect is the tendency of both traditional and dynamic elites to imitate the consumption patterns of upper-income Westerners. Many of the innovations brought into the country from the developed nations can be isolated from the masses, and is usually facilitated by the low literacy rates. But discontent because of lack of access to such innovations is liable to form not only among dynamic elites, but among



para-elite groups as the military or among industrial workers. "The growing separation between perceived improvement in the standard of living and a though-to-be "just" rate of change has created social unrest as obvious to the military as to the elite."<sup>25</sup>

The technological/elite approach is a way of studying economic growth by use of two non-economic variables: elites and technology. By looking at the impact technology has upon the elite structure of a society and the subsequent restructuring of the elite Cohen believes that researchers can arrive at a better understanding of the development process. He assumes a traditional, static elite which is technologically ignorant, that technological innovation will disrupt the traditional elite, and that technology when introduced into a society will catalyse lower class tensions and result in the formation of a revolutionary elite.

Insightful as Cohen's formulation may be, it would be well to re-evaluate the assumptions on which he bases his investigation, namely how traditional and static are the elite labeled "traditional"? How technologically ignorant are they? And will the simple contact with industrialized nations bring on revolution?

What is being questioned here is the integration of elite theory with the ideology of economic development.

### C. ELITES AND DEVELOPMENT

Throughout the literature written by U.S. and European social scientists, the terms underdeveloped, developing, traditional,



non-industrial have characterized a state of Latin American societies. The whole thrust of such theories are based on the assumption that some countries are technologically more advanced than others, and subsequently superior and more complex than the less industrially advanced. Unfortunately a "halo effect" takes over from the technological superiority and is extended to implying social, cultural, moral, religious, etc., superiority. This has become the crux and the Achilles heel of the "ideology of economic development."

The problem of how to live with machines as posed by Lamb has in the twentieth century become a question of how to live humanly, with or without machines. It is for this reason that social scientists must now endeavor to separate myth from reality, ideology from theory.

Wilbert E. Moore<sup>26</sup> has condemned two main fallacies contained in Western literature of social change. The first fallacy is the Sociologistic fallacy. This fallacy is represented by the position that history began yesterday or even this morning. This refers to the tendency in the social change literature to equate aboriginal, primitive, and underdeveloped. This position blanks out thousands of years of history and sees only the recent phenomena in developed nations as exhibiting the characteristic of change. From this non-historical or a-historical perspective one can postulate such theories as Rostow's Stages of Economic Growth, or the ideology of economic development.

A second fallacy is the functional equilibrium fallacy which holds that society is normal in a state of balance and interdependent action and forces. Conflict and change are defined as alien to the system or as temporary periods of flux oriented to resolve into a state





of equilibrium. This fallacy can be formulated into a trinitarian stage model of static equilibrium, change and transition, and finally a superior stage of integrated equilibrium.<sup>27</sup>

What has happened, in effect, is that a three-stage model has been widely, though usually implicitly, used to characterize developing societies. In keeping with the sociologist's fallacy, the pre-industrial stage is seen as static. Industrialization or other forms of modernization are seen as providing a dynamic "transitional stage, during which other elements of the social system must adopt or adjust to major alternations of the basic components of the society. The consequences are usually depicted as a substantial homogeneity among "developed" societies, that is, they are becoming alike. And---though this is never made explicit, because to do so would immediately reveal the fallacy---societies on the far side of the industrial revolution are once more seen as in a steady state.<sup>28</sup>

In place of these fallacies Moore suggests some useful theories to keep in mind when studying social change. Firstly, social change must be conceived as a universal, and inherent feature of any human society. Secondly, one can distinguish modern social change by its magnitude and rapidity and by the consequences of deliberate change. Thirdly industrial change can be characterized, but such descriptions cannot be taken as functional determinants. Characteristics of industrial and technological change are always mitigated by relevant historical and cultural factors. Rates of change may differ from one country to the other and the sequence of change may vary. And finally the trajectory of modernization produces different tensions and differing forms of tension management dependent upon the many factors mentioned above.



If, in relation to Latin American social structure, Beals warning that the class system cannot be compared with the U.S. three class system, and Moore's exposure of the fallacies present in the literature, are borne in mind a clearer understanding of class structure might emerge.

The allegations that the Latin American social structure is feudal, traditional, and static has proven to be a result of applying North American standards to non-North American societies. The original two cast system of conqueror vs. conquered quickly broke down in colonial times to a more complex division (Figure I).

FIGURE XI

---

$t_1$	$t_2$
SPANISH	PENINSULARES
	CREOLES
	MESTIZOS
INDIAN	INDIANS
NEGRO	MULATTOS

---

Though heredity remained a rationale for maintaining class lines, in actual fact with the exception of the peninsulares, intermarriage across class lines was the rule until well into the colonial era when it became safe for women to travel to the New World. The early colonial days witnessed a high degree of mobility especially between the mestizos and creole sectors. Class became a question of life-style rather than race, even while the old hereditary rationale was maintained. The only group this did not apply to were the peninsulares, whose Iberian birth gave them their privileged position in the New World.



As the colonial era drew to a close, class lines became more rigid. The creoles took the place of the Iberians and with the take-over assumed the "pure-blood" myth of being Spanish as had been maintained by the Iberians. The division of working with the head or working with the hands was another carry-over from the colonial times; and as was discussed in Chapter III, the contemporary middle class have failed to accept manual labor and are mainly white-collar workers who align themselves with the upper class.

Family, too, has remained a significant factor in Latin American social stratification and it could possibly be argued that the institution of the family is getting stronger. The early colonial era wasn't a strong family time. It was only after the colonies became settled and under the bureaucratic rule of the peninsulares that minds turned again to families. Before the fall of the Spanish Empire, as related in Chapter V, titles and honors were sold to the creoles in a last ditch attempt by the Crown at gaining more wealth. At this time the colonial-creole class solidified and closed ranks to form the next ruling community.

As will be discussed in more detail in Chapters V and VI, the colonial class structure of Latin America was never static, but in constant flux similar to the pioneer days in the U.S. Feudalism was never a part of the social structure in the political sense of the term, but did resemble the feudal division of labor: (1) working with one's hands and (2) working with one's head. But this similarity is also true of the black-white issue in the "developed" nations and would subject "developed" nations to the same feudalistic charges.





The role of elites in the Latin American society was patterned by the Spanish bureaucrats who ruled colonial Latin America. They were not nobility, nor for the most part even permanent residents of the New World. Their positions were that of Crown functionaries. They were chosen for various reasons usually included among which were political ability and birth in Spain. The creoles assumed the position of the peninsulares after the independence movements. The creoles who had made up a "middle sector" of colonial life did not develop a new ethos as happened in England or the U.S., but simply assumed the life style of the peninsulares, as the Indian who became a mestizo accepted a mestizo life-style, the mestizo who accepted a creole life-style before mobility was blocked. This process seems to be a key to mobility in Latin America and seems to explain much of the social structure in relation to development as will be historically traced in Chapter V and analysed in Chapter VII.





FOOTNOTES

<sup>1</sup>Ralph L. Beals, "Social Stratification in Latin America," American Journal of Sociology, LVII (January, 1953), p. 327.

<sup>2</sup>Ibid, p. 328.

<sup>3</sup>Idem.

<sup>4</sup>Idem.

<sup>5</sup>Ibid, p. 330.

<sup>6</sup>Ibid, p. 328.

<sup>7</sup>Ibid, pp. 329-30.

<sup>8</sup>Lowry Nelson, "The Social Class Structure in Cuba, "Materiales, II, pp. 45-72.

<sup>9</sup>Lynn Smith, "The Middle Classes in Cuba, "Materiales, VI, pp. 1-14.

<sup>10</sup>Beals, op. cit., p. 331.

<sup>11</sup>Gerardo Reichel-Dolmatoff, "Contribucion al estudio de las clases media en Cuba," Materiales, II, pp.73-89.

<sup>12</sup>Walter Goldschmidt, "Social Class in America---a Critical Review," American Anthropologist, LII, No. 4 (October-December, 1950) pp. 483-98.

<sup>13</sup>Beals, op. cit., p. 332.

<sup>14</sup>Ibid, p. 333.

<sup>15</sup>Ibid, p. 335.

<sup>16</sup>Ibid, p. 336.

<sup>17</sup>Idem.

<sup>18</sup>Alvin Cohen, "The Technology Elite Approach to the Developmental Process: Peruvian Case Study," Economic Development and Cultural Change XIV, No. 2 (April, 1966), p. 323.

<sup>19</sup>Ibid, p. 325.



<sup>20</sup>Everett E. Hagan, "Withdrawal of Status and Displacement of the Traditional Elite," On the Theory of Social Change (Homewood: Dorsey Press, 1962).

<sup>21</sup>W. Arthur Lewis, The Theory of Economic Growth (London: Allen and Unwin, 1955).

<sup>22</sup>Cohen, op. cit., p. 326.

<sup>23</sup>Idem.

<sup>24</sup>Ibid, p. 327.

<sup>25</sup>Ibid, p. 330.

<sup>26</sup>William H. Form and Albert A. Blum, eds., Industrial Relations and Social Change in Latin America (Gainesville: University of Florida Press, 1965), p. 2.

<sup>27</sup>Ibid, p. 3.

<sup>28</sup>Idem.



## CHAPTER V

### HISTORICAL BACKGROUND: BUREAUCRATIC PATRIMONIALISM AND THE CREOLE ELITE

The end-products of Spanish and English colonization in the Americas are obviously different. The industrialized, developed nations of the English-speaking North are often contrasted with the pre-industrial, developing nations of the Spanish-speaking South. The raison d'être for the difference has traditionally been credited to the differences in the colonizing nations, and today has become crystallized in the English-speaking literature as the "ideology of development" (modern manifest destiny).

Such an approach, in this author's point of view, is an example of what Moore called the sociologicistic fallacy. The rich history of Spanish conquest and colonization in America denies the descriptions of a feudal, static society as often ascribed to it by modern social scientists. Was the organization of the Spanish colonies a perpetuation of the European feudal society? Did the policies of exploitation, whether English or Spanish, differ that much so as to account for the divergent outcomes?

It is this author's view that the development of colonial Latin America was based upon an innovative ideal-type society never realized in Spain, but implemented as a "new society" for a "New World." This





form or organization is what Sarfatti terms bureaucratic patrimony<sup>1</sup>. This experiment in organization was the Iberian response to colonization, and an alternative to the feudal system, as Protestant capitalism can be seen as a later historical alternative to feudalism in Northwestern Europe. The crown bureaucracy embodied the traditional authority figure around which the whole empire functioned and owed allegiance. Within this system of organization, the characteristics of centralization, exploitation, ascriptive status, and monopolistic mercantilism were legitimized politically and morally.

English literature usually ascribes three main characteristics to the society founded by the Spanish in the New World. First, the emergent colonies are described as being feudal in organization and in mentality. Spain at the time of the New World discovery was in the process of reorganization. Ferdinand and Isabella had joined the provinces of Aragon and Castile by marriage, but such a union in no way resembled modern Spain. The monarchy was only on the threshold of unification. As will be discussed below, the society in Spain underwent reorganization and a new model of society was created for the Americas that diverged from the Medieval feudalism.

The second description of the colonies relates to the economic policy of mercantilism. "In Spain as in other European countries before the nineteenth century it was held to be axiomatic that colonial commerce should be the exclusive privilege of the merchants of the mother country."<sup>2</sup> Haring maintains that the mercantilist policies of Spain did



not differ from those of other European countries in theory. The reason for the failure of the Spanish economic policy was not so much the policy, but the two-edged sword of mineral wealth acquired in the colonies.<sup>3</sup>

The third characterization of the Latin American colonies refers to the hierarchical social organization. Some theorists postulate that the hierarchical social structure is an outgrowth of the same Medieval feudalistic society.

Feudalism, mercantilism, and rigid hierarchical stratification are then used as the explanations for the facts that Latin America did not develop as did the more democratic, laissez faire, equalitarian neighbor colonies to the North. Within the framework of this "ideology of development," Latin America has remained a static, feudal society which has yet to evolve as did the advanced forward British colonies.

Such a theory must be re-evaluated historically.

Zea remarks in his work The Latin American Mind that the culture of Latin America is one of contrasts and contradictions. It is a geographical area which has been overlaid with culture after culture. The pre-Columbian cultures rose and fell before Europeans set forth on the continent. Some of the initial success of the first conquistadores has been attributed to the fact that the organization of the Indian society was similar to that of the conquering Spaniards.



The Incan governmental system, a model authoritarian organization with great but predictable demands, sanctions and firm controls, was replaced by an equally centralized system of unlimited demands, arbitrary rules, and justice largely reserved for the conquerors and their descendants.<sup>4</sup>

After the period of conquest, the Crown put forth a uniform program of organization prescribing how life in the New World should function. One of the marvels of Iberian colonization has been the uniformity of cultural life that engulfed the entire South American Continent. The Spaniards unified a whole continent, which to this day, in spite of its national divisions, presents the appearance of unity.

Although, following separation from Spain, a series of independent nations emerged, each with peculiar geographical, economic, and social characteristics and with local traditions and histories, the supernational resemblances even today, a century and a half later, are so pronounced that, in anthropological concept, all countries together constitute a single culture area.<sup>5</sup>

William Glade suggests that in order to understand contemporary Latin American society and economics one must trace the historical developments that have produced today's success and failures. He posits three aspects of consideration in any analysis of the Neo-Iberian era.

Crucial to a comprehension of this tradition are three considerations: the timing of the transatlantic leap, the character of the culture which was brought to the Americas, and the nature of the geographical and cultural environments encountered there by the Iberians.<sup>6</sup>





A. THE SPANISH BUREAUCRATIC PATRIMONY

1. The Timing of the Transatlantic Leap:

The meeting of two cultures and the subsequent exchange of knowledge and skill is known among anthropologists as the process of acculturation. George Foster offers an analysis of the acculturation process in the context of one culture being the conqueror and the other being the conquered. By elaborating the simple acculturation model, Foster comes up with a "conquest-culture model." What is stressed in this model is that both the donor culture and the recipient cultures go through formal and informal processes of screening what portions of the original cultures are to be given or accepted.

In constructing this model it is important to note that the transmission of culture from a dominant to a recipient people represents, in simplest terms, a pair of screening processes. Two complete cultural systems never come into full contact. There is always an initial selection that determines which parts of a donor culture will be made available to the recipient group and which parts, consciously or unconsciously, will be withheld. This first of the two screening processes, in which the authority of the donor culture plays a positive part, must be studied with the donor culture as the point of reference.

In the second of the two screening processes the recipient culture selects, or has forced upon it, only a part of the total range of phenomena presented by the donor group. This is largely unplanned and informal, culture traits being channeled through the personal decisions





of individuals. In some areas the subordinate group can exercise choice and, depending on how it perceives the new phenomena in these categories, on its ability to resist imposition, or on its economic capacity to possess, it will accept or reject. The second selective process must be studied with the recipient culture as the point of reference.<sup>7</sup>

The conquest culture, then, is an artificial culture in that it represents a standardized, simplified or ideal representation of the culture found in that donor culture which is to be transplanted to the conquered society. The conquest culture is not the same as the culture of the donor group, nor the same as the colonial culture. The conquest culture is usually a formal statement of how a conquering nation sees the perfect plan for colonization. The local screening of the conquest culture by the recipient culture produces the colonial culture.

"In other words, all the facets of a donor culture presented to a recipient people and a colonial area are not exploited. A greater potential than actual utilization in any specific situation is present; in spite of the thorough homeland screening, conquest cultures still present more than will be absorbed in a new setting."<sup>8</sup>

The time of the transatlantic leap came during the "Age of Discovery." European society was reawakening from the "dark ages" into an era of both intellectual and geographical exploration. What is now modern Spain had served as the crossroads for many conquering cultures and in the 15th century had emerged as the intellectual center of Europe.



Portugal and Spain, by happenstance, had already advanced in navigation which put them ahead of their European counterparts.

Under Ferdinand and Isabella, modern Spain began to take shape.

At the time of the discovery of America, Spain had achieved a considerable degree of political and religious solidarity, had gone far on the road to national organization---a necessary preliminary to war and adventure, discovery and exploration, in the New World. The two peninsular kingdoms of Castile and Aragon had recently been united by dynastic marriage of the greatest significance. Prince Ferdinand, heir to the crown of Aragon, and Isabella, heiress of Castile, were married in 1469. A decade later each had come into full possession of his inheritance, and the history of modern Spain began. The two kingdoms, it is true, were joined only by dynastic tie. Each retained its political and administrative personality, its own laws, parliaments, and other institutions. Isabella as queen in her own right reserved to herself the patronage and revenues of Castile, Ferdinand those of Aragon. In external affairs, however, the two sovereigns acted jointly for the whole of Spain. For purposes of war and diplomacy Castile and Aragon were thereafter a single state.<sup>9</sup>

Before the reign of Ferdinand and Isabella "Spain" consisted of a series of regions (Castile, Aragon, Catalonia, Galicia, Extremadura, Andalusia). Each of these areas had its own cities, towns, and villages. Each had its own marked provincial characteristics. Each had its own marked provincial characteristics. Each constituted a complete



sociocultural system from the urban-elite to the village-peasant. At the national level, these regions were bound by political forms, religion, economic activity, history, and some awareness of identity of interest.

The kingdoms of Castile and Aragon, too, retained their own socio-cultural systems, and were ruled separately under its own sovereign.

Political conditions in the two kingdoms, moreover, were widely different. Aragon, the smaller, eastern kingdom, had an ordered, stable government under a limited monarchy. Rights of person and property were secure, and the Cortes had considerable control over legislation and finance, as much as had the Parliament of fifteenth century England. In Castile, on the other hand, royal government was at lowest ebb. There had been frequently minorities and disputed successions, and the crown was almost completely alienated, royal justice was venal and corrupt. The clergy were secularized and little better than the nobles. The principal towns, which in the Middle Ages enjoyed a large measure of autonomy, in the century before Isabella had been ruined by domestic quarrels, by strife with one another and with the country aristocracy. Royal government had lost all character and prestige. Private wars was the rule; nobles fought over castles, lands and honors, pillaged the churches, and devastated the country.<sup>10</sup>

With the coming into power of Ferdinand and Isabella, the new sovereigns were content to leave the organization of Aragon severely alone for fear of upsetting its order and unity. "But they combined







energy, ability, and resources to restore peace and security to Castile and to organize effective agencies of government."<sup>11</sup> They accomplished this task by establishing the unquestioned supremacy of the crown, laying the foundations of royal absolutism which ultimately extended over the whole of Spain.

The strength of the monarchy had historical foundations in both the Roman tradition of organization and in the writings of Thomas Aquinas. Glade sees that the basic organizational structure that emerged resembled the organization of the Roman Empire.

Two features of the Late Roman Empire are particularly germane to later developments. (1) Power became centralized in the person of the emperor and the palatine office, which like the king's council of later Spain, combined legislative and juridical functions with those of an executive advisory, and administrative nature. (2) A vast, complex, and professional civil bureaucracy grew up, separate from the military orders, which the palatine office completely controlled.<sup>12</sup>

Magali Sarfatti, on the other hand, calls attention to the influence of the Thomistic writings on the just state as a guiding force in the reconstruction of Castile. Both the Roman and the Thomistic traditions follow from the writings of Aristotle and are characterized by an ordered, paternalistic hierarchy which is centralized in the power of a traditional authority figure and his council.

At the time of the discovery of America, Spain was emerging as a new nation. Under the guidance of Ferdinand and Isabella, the social,



political, and economic structure of Castile was reshaped in accord with the scholarly investigations of the worlds best intellectuals, influences by the teachings of the Church, the Roman tradition, and the needs of the monarchy.

## 2. The Character of the Culture.

The culture to be transplanted to the New World was not the "everyday life" of the average Spaniard. Rather, this "new promised land" was to receive an "ideal type of organization." "In other words, a deliberate policy of the crown introduced in the new found lands some features that were only imperfectly realized in Spain. Those features tended to coalesce into a model."<sup>13</sup>

America, however, presented to the Catholic Kings a peculiar opportunity. Here was a virgin continent, occupied only by tribes of naked savages, or by the easily subdued semibarbarous native states of Mexico and Peru. Here was a New World free from the traditions and inhibitions of an Old-World society, a tabula rasa on which the Spanish sovereigns might impress their own conception of royal autocracy, without hindrance from institutional traditions or from class or regional rights and privileges inherited from earlier times.<sup>14</sup>

By selecting desired existing forms of government and by creating new forms, the government of Castile in the fifteenth and sixteenth centuries moved toward an absolute, patrimonial monarchy. When Columbus approached Isabella to back his expedition, it was under-



stood that any assests following would be the possession of the Castilian Crown.<sup>15</sup> In launching the three ships for the historical voyage, the crown "unwittingly released the energies of Castile for the work of conquest and settlement overseas; and the institutions they created and developed in Castile were soon to be transferred to America and to prevail there for three hundred years."<sup>16</sup>

According to Magali Sarfatti in her work Spanish Bureaucratic Patrimonialism in America, the governmental form adapted in the colonies wasn't that of feudalism, as many scholars have suggested, but rather a bureaucratic patrimony. A series of laws, 1542, 1550, and 1573, succeeded in curbing any feudalistic power that the wealthier colonists aspired to by not granting land to the colonists, but rather making the colonists "caretakers" of the king's land, thus eliminating a basis for a mobility independent of crown authority.

Haring postulates that the initial exploration and conquest was the result of private enterprise.

The labor of discovery, conquest, and settlement in Spanish America was from the time of Christopher Columbus pre-eminently the achievement of private enterprise. The individual or group that organized the venture made a capitulation or contract with the crown---often a negotiable instrument that might be sold or exchanged---in which were set down the rights reserved to the king in the new territories to be occupied, and the privileges conceded to the participants in recompense for their investment and the personal risks involved. Very rarely did the king contribute to the cost of the undertaking.<sup>17</sup>





Those first conquerors and colonists were not members of the nobility or *intelligentia*, but men driven by a desire for wealth or adventure, the younger sons of aristocracy, merchants and artisans hoping to improve their lot. But the personal desire for wealth conflicted with the aims of the crown. "The economic system of imperial Spain, geared as it was toward the accumulation of money for the treasury, provided the structure within which the first settlers and their descendants went to seek their fortunes."<sup>18</sup>

What must be clarified here is that even if Haring's assertion is correct that the initial conquest and exploration of the New World was primarily an endeavor of private enterprise made by private investors, the events which followed swallowed up the fruits of the initial pioneers and reverted all profits back to the crown. The initial leniency of the Crown in granting men like Columbus and Cortes the powers and privileges of Adelantado, similar to the powers of the feudal lords, were quickly revoked by the crown for fear that these men of conquest would become too powerful and challenge the power of the Crown. Columbus and his descendants fought a losing battle to regain the once promised rights to the West Indies. Columbus died in prison. Cortes was welcomed back to Spain as a hero, but was never allowed to reassume the position as Adelantado of Mexico. The crown drew in the lines and reorganized the structure of colonial life to the benefit of Spain.

As both Sarfatti and Frank note<sup>19</sup>, the principles by which Spain build up her colonies were not feudal, but were built with an eye to international trade and commerce. Two areas exemplify the divergence





from the feudalistic policies.

Land holdings had always been a part of feudal rights and nobility. The House of Castile did not grant land rights, as is often thought, but granted the right to an Encomienda.

The Encomienda, contrary to common belief, was not a landed estate. As early as the Laws of Burgod, Indians belonging to an Encomienda were declared to be proprietors of their houses, lands, and animals, and neither the Encomendero nor anyone else might dispose of them. And later on the mainland of America this principle was well defined from the early years of the conquest. There were, in fact, ample precedents in the manorial organization of Spain. A Senor had the right to receive rents and tributes from his vassals, but they in turn as against him had the right to the property and use of their land, and to dispose of its produce in so far as it was not absorbed by tribute. There is no evidence that Spanish legislation ever combined title to an Encomienda with territorial proprietorship. On the contrary, it often prohibited the usurpation of lands by the Encomendero, although the latter might acquire by purchase, gift, or other legitimate means lands within the limits of his Encomienda. Lands abandoned by the Indians by flight or deceased passed by law to community or to the crown.<sup>20</sup>

The encomienda was then a political governance and not a matter of ownership. Gradually, though the Encomienda remained a part of colonial Spain, most of the Encomiendas had reverted back into the hands of the crown, and only the most wealthy retained rights to a labor force.<sup>21</sup>

A second divergence from feudalism, related to the distribution of power in the New World. The reorganization of the province of Castile



resulted in the establishment of a bureaucratic systems consisting of a series of Councils under the authority of the Crown of Castile. When Columbus brought news of the discovery of the new lands, a separate council was established for the governance of the New World. This council referred to as Real y Supremo Consejo de las Indias or simply The Council of the Indies was independent of the provincial affairs and was under direct control of the king. The subsequent bureaucracy which was established to rule the colonies was appointed by this Council with the consent of the Crown. Thus the rulers of the colonies did not function as nobility, even though they might have been Iberian nobility, but only as bureaucratic functionaries responsible to the Council of the Indies and ultimately to the crown.

The kingdoms of the New World were entrusted to a viceroy as the agent of the Crown in the colonies. As the economic holdings of the colonists had been circumscribed by the Crown, the political rights of the descendants of the original settlers had also been curtailed.

The descendants of the Conquistadores, the Creoles, found themselves debarred from all high posts of administration by the old aristocracies of the metropolis, which had been notably absent earlier during the hard and critical period of conquest and colonization. The tendencies to centralization and uniformity were accentuated. A mistaken policy of exploitation in Spain was matched by a colonial bureaucracy marked by extreme complexity and routine.<sup>22</sup>

Routinization within the Iberian bureaucracy and distrust of those in the New Spain described the government of colonial America.



the seeds of distrust were functional to the crown. Castile had developed a unique balance of power in the New World, not by a separation of powers, but by overlapping authority. The inability to carry out any administrative decisions is exemplified by the position of the top official in the New World, the viceroy.

While the viceroy's authority was undoubtedly subordinate with regard to the other royal agencies, in the colonies, the only real centralization was in the king and his council. All the important officers were nominated or dismissed by the king. Therefore, the viceroy had little effective control over subordinates because they did not receive their tenure or authority from him.<sup>23</sup>

The organization of the colonies around a bureaucratic patrimony had important implications for the functioning of that organization. "Thus, the whole panoply of Spanish institutional life and power--its laws, its government, and its religion--was implanted in the urban settlements at the very margins of the empire as a formal enterprise directed by the royal bureaucracy."<sup>24</sup>

As in Spain, the crown, personifying the state, was the agency which both defined and achieved the common good; in the Iberian frame of reference the concept of the common good as something that might be approximated decentralization interaction was exotic. In accordance with conventional Iberian practice, the common good was achieved through a complex bureaucratic apparatus





that administered the ever-growing body of decrees and juridicial directives, which both legitimized the administrative machinery and laid down its course of action. Thus, monarchic and bureaucratic centralism, rather than feudal subsidiarity or spontaneous private interaction, was the prevailing technique of colonial organization.<sup>25</sup>

The king was the sovereign ruler on earth and protector of the Church. The will of the king defined the "good", and thus the "good" was enacted by his subjects. This legitimized authority figure and the subsequent hierarchy of class structure has been characteristic of Latin America up to the nineteenth century and some would argue that it is still prevalent today. The God-given right of the ruler to rule was a value upheld by most members of the society and was reinforced by the moral sanctioning of the Church.

The attempts to bring Castile out of chaos and feudalism were brought to the task of ordering a chosen society for the New World. The Spanish attempt to go beyond feudal organization was one of many events which began to distinguish Spain from the other nations of Europe. The cultural, economic, and political divergence of Spain from North-western Europe must not be viewed as a result of Spain's inability to emerge from the feudal system, but her uniqueness developed as an alternative path, which at the time could not be judged to be better or worse.

In drawing this comparison, one is struck, first of all, by the fact that when Spain acquired its extensive overseas possessions at the close of the fif-



teenth century, the Iberian peoples had already been exposed to a series of events which had differentiated them from the inhabitants of northwestern Europe and shaped the distinctive dominating insight of Iberian institutions. Important as were the differences between the two regions by the close of the fifteenth century, the prevailing perspectives of the two cultures were to diverge still more markedly during the three centuries which followed. The sixteenth and seventeenth centuries were to work profound changes in the temper and tone of European life, and it was within a cultural pattern transmuted by the impact of these changes that the English, the Dutch, and the French launched their major colonization efforts during the seventeenth and eighteenth centuries.<sup>26</sup>

### 3. Geographical and Cultural Environs.

Geographical determinism is a theory often contended within the explanation of the development of colonial regions. Although environment is not a sole determining factor, geography, climate, resources do influence the way in which an area will grow, and the kind of social life appropriate to that growth. Haring postulates that historically one can divide the European colonies of the New World into two general classes. One class consists of those termed the farm colonies; the other exploitation colonies. He goes on to propose that such classifications can explain the growth of societies within those colonies.

It will help to account for the kinds of institutions developed, or at least for the spirit in which these institutions were permitted to function.



and it will go far to explain the difficulties encountered by the authorities in Spain in governing so vast an area three thousand miles distant from the center of political control.<sup>27</sup>

Farm colonies are usually located in the temperate zones. The exploitation colonies are usually based on some type of plantation, mass-production economy which is usually found in the tropical zones.

In the temperate farm colonies, consequently, there was usually a more general spread of elementary education, but less care for the higher branches of learning; a strong sentiment of individual independence, self-reliance, but often a lack of the refinements of courtesy in the upper classes or of inherited loyalty in the poorer classes. In a sense they were closer to the frontier. The characteristics of the wealthy plantation or mining colonies were just the opposite: a highly sophisticated, courtly society, given to extravagance and display, and achieving all the outward signs of opulence, imposing public buildings, universities and hospitals, magnificent churches and monasteries, but founded upon the exploitation of the inferior races.<sup>28</sup>

Thus one might be inclined to conclude that if England had taken the southern colonies and Spain the north, the situation might have been switched. There seems to be more cultural similarities between the plantation life of the British plantation colonists and the Spanish plantation colonists than between the northern and southern British colonies.

The gold and silver mines of Spanish America constituted one of the principal reasons for the divergence





between Spanish and English colonial life---the immense stores of minerals easily available and of the sort most valued. They made European society in the Spanish colonies one of great wealth and luxury, and intensified the aristocratic character of that society. They accounted for the sharp contrast between the opulence and splendor of Lima, or Potosi, or Mexico City, and the frugal simplicity of Philadelphia or New York in the eighteenth century.<sup>29</sup>

The contrast can also be seen in comparing areas of New Spain in which the precious metals were found with the areas which were more temperate and suited for farming.

It was the circumstances of environment in the New World both physical and racial, that explain in large measure the growth of an extravagant, sophisticated but fascinating colonial society in Mexico and Peru, based upon the possession of mines or huge estates and upon the exploitation of human labor, and perpetuated by the purchase of Mayorazgos and titles of nobility. They also explained the more democratic societies of Buenos Aires and Paraguay with their greater economic equality and their spirit of independence, but prevailing provincialism and rusticity. They served to interpret the concentration of interest by the Spanish crown of the tropical mining regions, and the close political supervision and regulation exercised over all that concerned them; just as they explain, at least in part, the consistent official neglect of farming or pastoral areas like the Rio de la Plata and Venezuela, whose products had small demand or promise little profit in Europe, or





the development of whose trade might be inimical to the economic interest of the major centers of Mexico and Peru, and of the mercantile interests in Spain that depended on them.<sup>30</sup>

## B. MERCANTILISM

Horrocks explains in his work A Short History Mercantilism that the term itself is very hard to define in practice.

The term "Mercantile System" is not a satisfactory one. It does not accurately describe or even aptly suggest the essential nature of the complex of theory and practice which it used to designate. It has been criticized as implying at once too much and too little. The policy, we are told, has never assumed the coherence of a definite system, but has appeared rather as a more or less powerful tendency, or group of tendencies, or a collection of opportunist expedients. Moreover, it cannot be regarded as a typical expression of the mercantile spirit, which by no means necessarily inclined to favor a policy of State direction or to connect itself with an ideal of political and national strength and independence. Again, the feature that gave rise to the name was, it is said, only an incidental result of the teaching of its advocates, and the epithet "mercantile" is altogether inadequate to indicate either the range or the purpose of the reign which it is intended to denote.<sup>31</sup>

The inadequacy of the term does not seem to be reflected in the literature concerning Colonial Spanish America. The mercantilist-bullionist policy of the Crown is one of the outstanding characteristics attributed to Spain's colonial rule. Lamber says:



Being precocious colonizers, the Spaniards and Portuguese applied the mercantilist colonial system. The home country regarded their colonies merely as means of accumulating wealth through importation of precious metals and colonial agricultural products and, to a lesser degree, as a market for the industries of the mother country. The entire functioning of the conquered countries was organized to serve the direct needs of the home country while their own internal development was not even considered. The colonies were restricted to mining and agriculture, and were forbidden to make any manufactures that the home country could provide. They were also forbidden to engage in direct trade with foreign countries or among themselves.<sup>32</sup>

Almond and Coleman note that the mercantilist policy pursued by Spain was in fact the policy employed by most European powers involved in exploration and exploitation.

The mercantilistic policies of Spain should also be included among the colonial conditions establishing the pattern of Westernization in Latin America. Spain was not alone in practicing mercantilism; it was pursued by most of the colonial powers of the time. Essentially, mercantilism rested on the proposition that colonies existed for the benefit of the mother country. In a mercantilistic system, colonies were not permitted to produce goods that would compete with those of the governing country; the colonies were, in general, forbidden to trade or to engage in many other forms of intercourse, with other European states. As it found expression in colonial Latin America, mercantilism had the effect of limiting the Westernizing influences upon the area to those emanating from Spain, Portugal and later France.<sup>33</sup>



Andre Frank's observation of the development of Latin America links mercantilism as the precursor of the international network of capitalism that developed later. Capitalism is another of those blanket terms, difficult to define. But he maintains that both have in common the exploitation of the hinterland by the metropolis.

Trade with Spain in relation to her colonies was viewed as the traditional hinterland to metropolis relationship. Exploitation of the land, mineral resources, labor, and compulsory marketing was a "common good" policy of the crown.

Sarfatti observes that the "mercantilist system" was based on two sectors: "A precarious economic elite (whose wealth was tied to local markets) and the most powerful groups---whether merchants or large-scale producers of colonial staples---who were closely related to the 'central' spheres of colonial economic activity."<sup>34</sup> The latter group was organized under a guild-like system and was called La Casa de Contratacion or Consulados.

Membership in the Consulados the exclusive guild of merchants originally formed in Seville, "As a kind of chamber commerce, it possessed administrative authority in matters concerning trade and communication,"<sup>35</sup> and was reserved to peninsular Spaniards. They controlled official trade with Spain and hence the fortunes of the Creole producers. Speculating on shortages of imported goods, they obtained enormous profits. These three factors---their being "Chapetones" (nickname given by the Creoles to peninsular Spaniards), their control of





the international markets, and the role they played in the rise of prices in the local markets----made by the Consulados the group, which by virtue of its privileges stood in the way of development and prosperity.<sup>36</sup>

The Consulados were under the auspices of the Council of the Indies. As was mentioned earlier, the governing of the New World was through the Crown of Castile. Technically the provinces of the New World were separate kingdoms under one crown, but in fact these provinces served Castile and then Spain. The power to rule was shared by the sovereign and his council.

Throughout most of the several centuries of Spanish rule in America, the administration of imperial affairs in Spain itself was vested not in a single minister or secretary of state, but in a council called Real y Supremo Consejo de las Indias. It owed its separate and legal existence to a decree of the Emperor Charles V, issued on 1 August 1524.<sup>37</sup>

This group became known as the Council of the Indies, and later when the affairs of the Indies became too much for the Council of Castile, it also assumed responsibility for all matters of justice and authority. In 1524, the emperor gave the Council definite organization and juridicial authority. It became independent of and coordinated with the other royal councils of State, Finance and War.

But this council became burdened with the load of all bureaucracies.



An institution such as this, responsible collectively to an autocratic king, possessed the defects inherent in a counciliar system of government: on the other hand, absence of individual responsibility, in the other, growth of a spirit of routine which paralyzed procedure and made rapidity of decision and action difficult. Like other councils of Hapsburg Spain, it deliberated interminably. Matters were referred to the king, from the king back to the Council, and to the king again. There were instructions after instructions, memorials upon memorials, and endless accumulation of documents, useful as preserving precedents, and enlightening to the modern historical investigator, but only serving to clog the wheels of government. Moreover, the counciliar system threw greater responsibility back upon the sovereign, in whom alone resided any unity of control such as might have been exercised by a single minister of state. If the king lacked energy, character, decision, or was absent from the kingdom, the inevitable result was perpetual debate, procrastination, suspended judgement.<sup>38</sup>

The state of the Council of the Indies had its effect upon the efficiency of the Consulados. Being that only peninsulares were qualified to sit on either council, the decisions were again formally and informally in favor of the Spaniards and not the colonists. Most of the members of the councils had never been to the colonies and knew nothing of the conditions there. Therefore their decisions were usually based on the criteria of most profit to the Crown and to the Spanish merchants. The confusion and apathy of the Council of the Indies made it also possible for the Spanish Merchants in Seville to "get away with more" than the



council would have allowed had it been able to act decisively. All these factors went together to induce exploiting the Americas for all that could possibly be extracted, with little investment.

The mercantilist system of Spain, seen in the light of (1) its guild organization and (2) its subserviance to the Crown rule and the bureaucracy, makes it important to note that Spanish mercantilism was uniquely Spanish and developed along the "tendencies and opportunities" presented to the Iberian colonizers. The mercantilist trade of the northwest European countries was marked by a more Calvinistic approach, access to investment capital and less "docile" colonists. The role of mercantilists as gapping the bridge between feudalism and capitalism can't be applied to Spanish trade. The bureaucratic-patrimonial system of colonial expansion should be considered a different offshoot of feudalism and thus affecting the organization of the Spanish institutions.

Altogether, the organizational basis of the empire was such that if mercantilism is appropriate at all as a description, it should be used only with drastic qualifications. For over two centuries, Spain's so-called mercantilism was not much more than a policy of imperial expansion combined with a crude sort of bullionism which in J. W. Horrocks' evaluation "failed to produce anything other than an artificial appearance of wealth and power."<sup>39</sup> Late in the colonial period, Spanish policy did move in the direction of more authentic, Colbertian style mercantilism---thanks to the French influence introduced by a change of dynasties, and to the policies propounded by such Spanish mercantilists as Geronimo de Uztariz, Bernardo de Ulloa, Bernardo Ward, and Pedro Campomanes.





By that time, however, so many exogenous forces were operative that it is almost impossible to gauge the real impact of mercantilism proper on the colonial economy, though it produced, tardily a marginal organizational modernization, for the most part, the relation of the Spanish system to mercantilism has been best summarized by Eli F. Heckscher in his classic study, Mercantilism. Noting that the "political writers of every country were preoccupied with the economic policy of Spain," Heckscher goes on to observe that "in these discussions Spain was held up as a deterrent example."<sup>40</sup>

Private enterprise and commerce were foregone for the "common good" of the crown which manifested itself in the exportable surplus being consumed in royal ceremonial concerns and in bureaucracy administration. Public or "private" capital, then, was simply not available.<sup>41</sup>

#### C. THE CREOLE BUSINESS ELITE IN COLONIAL AMERICA

The policies introduced by Spain into the New World were conceived of as the ideal way of attaining the ideal society. As time went on, the distance separating the ruling country from her colonies, the conflicting aspirations of crown, aristocracy, and colonists, and the distrust and apathy present in the colonial bureaucracy led to a situation not at all like the New Ideal World which had been intended.

The original policies were often brought forward with good intention, but their implementation often suffered because of their unsuitability to the situation, or because of a conflict of interest. Colonial rule became a problem of uniform conformity vs. the immediate





situation. As was mentioned even Viceroy's did not escape the vagueness of the situation nor the crossfire of interests. For example:

As the labor market tightened, the viceroy received the royal credulas (decree) of 1601 and 1609, aimed at alleviating the Indian's burden. Faced with a seething revolt of the colonists in Mexico City, the local authorities gave priority to the general economic crisis rather than the supposedly "spiritual" orientation of the system. This case illustrates what Phelan has called the "flexibility" of response of the colonial officials when confronted with conflicting or unclear standards. They were exposed to manifold pressure: the instructions from Spain and the contradictory orientations of the system to which they were committed; the need to abide by local conditions, public opinion, the influence of their peers and subordinates; their own assessment of the possible sanctions if their decisions ultimately proved wrong or unwise. Moreover, by the selective evaluation of the contradictory directives they received, the superior officials, adjusting to factual realities, necessarily generated "independent" authority within the tight formal framework of the system.<sup>42</sup>

The difficulty of the position of government agent, and its noncompitant myriad of political gauntlets, ended in a situation in which no one wanted to venture forth to fill the positions. Soon, too, the initial flood of gold and silver had run its course, and the Crown needed additional sources of income. Permission was given to sell offices which functioned to fill the offices and the treasury. The sale of offices had no real effect on the already encumbered power of the crown. But the sale



of offices did provide another breakdown of authority at the local level.

The one person who stood to gain by all this was the person known as the career bureaucrat. He was generally from Spain. Though on the books, it was possible and even encouraged that colonists or "nationals" be appointed to such offices, in practice the crown always appointed a Spanish-born official. The officials were fairly circumscribed in the New World. Measures had been taken to ensure political, economic, and judicial neutrality in the administering of Crown rule.

These career bureaucrats were forbidden to associate with those outside their rank. No fraternizing was to occur either with the lower Spanish officials, with the "gentry" or with the Indians. These bureaucrats were also excluded from any business adventures either land investment or in merchant enterprises. These measures were taken to insure no conflict of interest (between the officials and the king). As Sarfatti put it:

The gradual emergence of a class of career bureaucrats is inseparable from the process by which the Crown imposed control upon the conquerors and the governors ad vitam of the first phase of colonial rule. A necessary feature of royal control, it was to be effective, was, as we have seen, insulation of the royal functionaries from the rest of society. We have already referred to legislation that prevented career bureaucrats from engaging directly in business activity and establishing close links with local groups. Such rules were designed to secure the impartiality of their performance in office, but above all, to guarantee the priority of their commitment to the Crown



and the imperial system of government. However difficult it may have been to enforce these rules, the bureaucratic pattern eliminated, for instance, the neopotistic practices that were so widespread in the first phases of conquest. The civil servants changed posts and could therefore take root in one place only with difficulty.<sup>43</sup>

The establishment of the career bureaucrat had implications for the future development of business or entrepreneurial elites in modern Latin America. First of all, the highest power group and status group---being the career bureaucrats---were "foreigners," peninsulares and not colonists. Thus, the status orientation got its legitimacy externally from Spain and not internally from within the colonial society. Secondly, the role of the career bureaucrat was to see that the efficient exploitation of colonial resources resulted in maximum benefit for the Crown. In a sense the governing attitude was less than patrimonial, more imperialistic. The colonists were viewed as sons or even sub-human wards to be dealt with according to the "common good" of the Crown. This precedent of exploitive-patrimonial relations can be seen in most superior-inferior relationships even in modern Latin America. A third factor is that the ruling elite were barred from entrepreneurial activity. Formally, status became linked with one of two social situations: (1) high prestige from being born in Spain of nobility or (2) high prestige from being granted an Encomienda or the right to exploit native labor, and indirectly control land of a certain territory. The roll of the entrepreneur wasn't considered a desirable status, though it was used as a means of attaining land or title.







At the same time it must be admitted that, with all their great martial and legalistic qualities, the Spaniards had not emerged, as Brooks Adams has said, from the 'imaginative' period. They had not developed the economic type. In Spain the soldier, the legist, and the priest reigned supreme, at a time when the mercantile and skeptical type had begun to predominate in the other nations of Western Europe. Spaniards showed the same incapacity for industrial development and for the higher branches of finance, the same intellectual rigidity, that characterized the imperial Romans. There was little attainment in agriculture or trades. And so Spain, possessor of the richest and most magnificent colonial empire in the world's history, for a time declined, as Rome declined, from internal decay. Without a flourishing industry and the means of maintaining and increasing an active commerce--unable to retain therefore the control of the sea---the empire spread over two continents became ultimately an economic and military liability rather than an asset.<sup>44</sup>

Now, I shall turn to the role of the Creole merchant and his relationship to the Casa de la Contratacion.<sup>45</sup> Trade between Spain and the colonies was regulated from Seville, and locally by Spanish members of the Guild. Even the inter-colonial trade was regulated by the Consulados. "Inter-city and inter-regional trade in less essential goods was dominated by the larger mercantile houses and the Consulados, which exercised quasi-official regulatory powers over certain aspects of the marketing process."<sup>46</sup>

The Creoles, those not directly from Spain, colonists, or those



of Spanish-Indian ancestry, began to participate in what little inter-colonial trade that did exist. As their success increased, they became more threatening to the Consulados. "Thus, the Consulado, in 1729, prohibited Creole merchants in America from serving as agents. This order was recinded in 1738, but Creoles were still permitted to do business at Cádiz only through Spanish merchants matriculated in the Indies trade."<sup>47</sup>

The degree of regulation contrived by the crown and by the guild became rapidly complex and specifically restricting. Glade cites one example of the exactness to which regulations were carried,

Even nonstaple items came in for some attention; at various times and places sumptuary laws were in force, covering such matters as buttons, the permissible adornment of clothing, the details of funeral corteges. An interesting example of compulsory economic transactions is one the Indians subject to supervision, of Corregidores were at least on occasion, required to make purchases at fixed prices of a variety of fabricated goods.<sup>48</sup>

When the Creole was able to get his foot into the door of the mercantilist system, his trouble just began. He not only had to cope with the manipulative Chapetones, but also auxilliary judicial regulations, poor transportation, and uncertain markets.

In this interdistrict trade, merchants operated as inter-mediaries between the guild and Obraje producers



on the one hand the distant markets on the other, and while this traffic was conducted with somewhat greater freedom for the merchants, it was not entirely outside the purview of official supervision. For some of this trade, licenses were required, and depending upon circumstances public authorities were empowered to withhold permission to move goods between local markets nevertheless, since these transactions were carried on across municipal jurisdictions, regulations were more difficult, especially in the outlying areas where close scrutiny by public officials was likely. In this trade, the merchant capitalists were sometime able to realize large gains from their transactions, and toward the end of the colonial period the effective control of production occasionally passed into the hands of these mercantile intermediaries.<sup>49</sup>

Many theorists have traced this failure to develop colonial trade and talent under Spanish rule to one of the reasons for the demise of crown rule. The colonies remained exploited. And with the fall of the homeland came the fall of her empire as trade had been set up wholly on the exploitive-dependency basis.

Spain stubbornly defending its privileges and its central position in the system of American trade, discouraged, if not prohibited, any attempts at large-scale inter-colonial commerce. Such commerce could probably have provided a solid base for the economic activities not primarily oriented toward the peninsular market, and thus increased the possibilities of mobility in the social stratification scale.<sup>50</sup>





Given this structural framework within which the Creole merchant was relegated, I think it important to look at the social or larger societal aspect of the Creole's situation. The bureaucratic-patrimony can be characterized as a traditional society, in that tradition played a key part in the legitimation of its class structure and the maintenance of its order. As a traditional society, class was determined by ascription, that is, status was designated by the social ranking of one's parents or ancestors. This type of status system is in contrast to an achievement oriented society in which status is based on the accomplishments of the individual.

In new Spain, the status system was primarily ascriptive, and as mentioned above, was externally imposed rather than internally generated. The hope of gaining new status through attaining wealth in the "land of gold" prodded many peninsulares to emigrate to Latin America. Even though class structure of Spain was maintained to some extent in the colonies, there was relatively more mobility than in the homeland. This class mobility generally occurred within the Creole "caste."

The economic system of imperial Spain, geared as it was toward the accumulation of money for the treasury, provided the structure within which the first settlers and their descendants went to seek their fortunes.<sup>51</sup>

After the crown limited the feudal powers of the conquistadores and governors by making it explicit policy to effect crown and ecclesiastical benefits and not individual benefits, the colonists found their





ability to achieve "wealth" relatively handicapped. The additional factor of discrimination against colonials in the top levels of the functioning bureaucracy also militated against an internally developed society.

The internal differentiation of groups of American born whites can be clearly grasped if we focus the discussion on their differing relationships of the colonial economic system. Thus, the qualification of "interstitial" that we applied to the urban and rural "unattached" or unemployed is justified by the marginality with regard to the predominant economic structure. On the other hand, the groups of Creole "possessors"---landowners, miners, and merchants---and the "colonial middle class," though they were politically and socially subordinate to the Spanish born groups, nonetheless found a place within the order. The propertied group---the Creole elites---geared their economic activities toward the mercantilistic imperial system, and their activity was meaningful within the framework. But as Spain's economic and financial power was increasingly challenged by other European countries, the framework was seen as intolerably restrictive.<sup>52</sup>

The Creole elite developed within the colonial system, but only as a carbon-copy of the Spanish Elite. The values, norms, and life-style of the peninsulars became the model and goal for the colonials on their way up. Part of the failure of this "middle group" to develop any class consciousness can be seen in its opting for the ethos of the upper class. "Despite the Creole origin of these groups, their patterns of consum-



ption were inspired by Spain and oriented toward European products."<sup>53</sup>

One facet of the Spanish "Gentleman Complex" was the attitude toward work. Work was a mark of low status; a gentleman should pursue the life of culture and of ideas.

The taint placed by the Spanish system on manual and commercial activities as well as the social value conferred on ownership of land downgraded the status of the groups of Creole merchants and professionals. Obviously, the rank of those who Bagu has called the "Colonial middle class" (the small landholders, the professionals inseparable from urban life, the salaried managers of the great estates, the petty officers connected with government and the Church) were even lower.<sup>54</sup>

As in the colonial and industrial U.S., some of the more enterprising gained access to their goals through "extra-legal" investment activities. The difference was that in the U.S. wealth was the goal. In Latin America wealth was only a means of attaining access to a status whose components were prestige and power. While the Yanky entrepreneur developed a "get-ahead" ethos based on his own achievements, the Creole counterpart got ahead to reaffirm the hierarchy of Spain by joining the ranks of the pseudo-Spanish aristocracy and enforcing the right of ascribed status.

The Creole economic elites, as we have pointed out, in the previous examples, were also subject to the particular hazards of the hybrid system of colonial



capitalism, with its monopolistic control over exportable products, and, more generally, to the oscillations of the peninsular market. Indeed, some of the most successful groups during the eighteenth century operated on the fringes of the economy, in particular, in the ever-growing contraband trade, centered chiefly in Buenos Aires, Chile, and the Antilles, and despite widespread venality and corruption, lived an semilegal economic existence.<sup>55</sup>

Further, Haring reports that as early as 1503, Castilian law allowed any Spanish subject above the rank of peasant to establish his property as a mayorazgo. The Mayorazgo legitimized the right of primogeniture and carried with it the title of Don.<sup>56</sup> The prestige and privilege of bearing the title also brought its disadvantages or responsibilities. If the title were accepted, the bearer could not enter any profession attached with commerce or industry upon threat of the loss of status.

The situation in the colonies could be described as follows---. In relatively static colonial societies investments were made more for acquiring status than for entrepreneurial ventures. The Latin American business ethos had secondary importance to the elitist status system of the titled or landed. A business class or "colonial middle class" was viewed (1) not as a valued position, (2) thus as a temporary means of upward mobility (whether or not mobility was in fact possible).

Moore's contemporary observations affirm the belittled role of commerce.





Commerce was never widely accepted in Hispanic culture, and in Latin America it most often remains in the hands of ethnic minorities. The term Turcos for the ubiquitous Levantines is ethnically erroneous, but as a term of approbrium it sets trader apart from social acceptability. Europeans and North Americans generally move in more elevated commercial and financial circles, and they do encounter some Latin American counterparts, but the shortage of an indigenous merchant class is ever present.<sup>57</sup>

The Crown realized that the trend of mobility out of the professional and entrepreneurial classes into the patterns of peninsular elites adversely affected the interests of Spain, and there were often attempts to put a stop to such a pattern.

As these colonists of the laboring class were inclined to desert their trades and secure an allotment of Indians, the Crown ordered in 1508 that they be compelled to work at their accustomed occupations. In 1511, the king was urging the Casa de Contratacion to send out as many farm laborers as possible, to simplify the formalities at Seville, and to advertise throughout the poorer regions of Castile the richness of the islands and the opportunities for improving one's lot by emigration.<sup>58</sup>

But as Sarfatti reports, the pattern of the colonists wasn't that hoped for by the crown legislation. "... they had come to the New World to achieve the status and fortune they did not have in Spain. The main sources of wealth, and hence, of social power, derived, in mercantilistic economic system, from production for the market."<sup>59</sup> Thus the



colonists attempted ownership of land, mines, or the labor force. The action of these colonists threatened the rights of the bureaucratic patrimony since unlike the career bureaucrats and the Spanish conquistadores elite, they didn't owe their positions directly to the crown. Sarfatti terms this group the "centrifugal force." But it is important to note that even though this group was autonomous of the king's patrimony, they still held the values of that patrimony.

Those colonists who failed or didn't gain access to land, mineral, or labor investments remained as small urban-centered groups which Bagu classifies as the "colonial middle class."<sup>60</sup>

The Creole elites who did "make it" did so in the European style.

Notwithstanding their subordinate position, the Creole elites were rich. In the trade-oriented colonial economies, the value of an investment depended chiefly on commerce, which, as we know, was officially monopolized by the Spaniards. The entrepreneurial activities which to start with, yielded but little social prestige, were thus dependent on the opening of the trade system. In this context, purchases of land, titles, and offices were the main outlets of new wealth. In other words, the rise of the new social groups (documented, and among others, by Basadre, in Peru, and Edwards, in Chile) was not structured around the emergence of a new mode of production, but, rather, derived from the impoverishment of the traditional aristocracies. The "upstarts" strove to gain access to the higher rungs of Creole Society. Thus, in Lima, says Basadre, there was, at a time of the ascen-



sion of the new social groups, "an accentuation of the purchase of titles and coats of arms,"<sup>61</sup> Creole wealth, then, was mainly used to the end of social emulation, following in this the patterns of consumption set by the peninsular "rivals," all too visible in the small but sophisticated urban societies. Conspicuous consumption had, in fact become very early a characteristic of colonial urban life.<sup>62</sup>

The emulation never fully gained the authenticity of the "traditional elites" in that birth and ancestry were the basis of access. But the Creole's attempt demonstrated signs of being more aristocratic than the aristocrats.<sup>63</sup> However, the linkages of the traditional colonial aristocracies with the local representatives of the Spanish order may have been very close in certain cases; but the Creole elites were nonetheless socially, politically, and economically subordinate to the Spaniards.

As the Spanish empire began its gradual decline, the effects were felt in the colonies. Greater demands and tighter legislation strained the already dwindling resources and provoked the over-exploited colonials. Trade was the first marginal area to open up in its semi-legal enterprises of the Creoles as the Spanish control of the Seas dwindled and sailing to illegal ports became less risky. The increasing affluence of the Creole elite and the waning authority of the peninsulares marked the era of a "mixed aristocracy."





Since well before 1810 the ancient families of conquistadores and encomenderos, ruined by luxury and idleness, or extinguished in war or in the cloister, were in complete decadence. The new lineages of merchants and working men---who only had three or four generations of affluence and social status---had slowly come to absorb them and take their place. Thus a mixed aristocracy, of bourgeois origins, came to dominate the country, owing to the triumph of money and by means of its entrepreneurial and mercantilistic spirit; it was sensible and parsimonious, of regular and orderly habits, but through its veins also ran the blood of some of the old feudal families.<sup>64</sup>

In comparing the development of Spanish bureaucratic patrimonialism and Western European capitalism, there is a striking similarity of the rise of the mercantile societies. But the contrast becomes more significant. While the capitalist in North America succeeded in working his way up, he also developed an new ethos or ethic based on the achievements of the individual. The successful mobility of the Creole within the bureaucratic patrimony functioned to reaffirm the ascriptive, patrimonial, hierarchical order---once top status had been attained by those upwardly mobile.<sup>65</sup>

Alessandre Pizzorne suggests a rationale for the divergence.

...(a group which) does not have to go through the lengthy initiation of social striving and, hence, of conflict with the class of nobles, does





not need to develop a rigorous and ascetic ethic which would provide a basis of contempt for the models of conspicuous consumption of the superior class... Where the barriers (between the nobility and the rising bourgeoisie) were more rigid and the consumption models were not used for social competition, accumulation and success in work...became moral values and norms of behavior replacing the quest for prestige; the latter derives from a certain level of consumption, from certain possibilities of leisure, and from the social relations hence established. By posing an ideological alternative to the whole existing social system, the bourgeoisie class set in motion the mechanism of social transformation within the context of economic growth.<sup>66</sup>

The moves toward independence and specifically the threat of Indian uprisings, solidified the aristocratic mixture into a cohesive group which then moved to maintain its power position by taking over the governing. Thus the gaining of Latin American independence cannot be seen in terms of social revolution, but, rather as the displacement of one patrimonial elite for an aristocratic elite which upheld the values of that patrimony. The changeover was confused and inept. A group that had been ruled, was now put in the situation of ruling; and the results for decades were far from effective.

...it was impossible to identify a substitute authority that would command general assent. Decapitated, the government could not function, for the patrimonial regime had developed neither: (1) the underpinning of contractual vassallic relationships that capacitate the component parts of a feudal regime for autonomous life;



nor (2) a rational legal order not dependent for its operation and claims to assent upon personalistic intervention by highest authority.<sup>67</sup>

With independence came the hope of freedom from the exploitive policies of the crown and freedom to develop internally. But the years of exploitation had left their mark. The mineral deposits had been mined out or developed as only primary industry without secondary and tertiary industry, which was reserved for the mother country. Agriculture had developed as an export industry based on one crop. Diversification wasn't in the agricultural vocabulary. The labor force, too, was organized around export trade and cheap labor. The result was that Latin America exchanged Spanish exploitation for foreign exploitation.

Independence meant the insertion of ex-Spanish territories into a wider system of trade than they had known under Spanish rule. They remained economically subordinate, however, but now to expansionist foreign powers, not to a decaying one, as Spain had been. Therefore, we shall argue that the appearance of an oligarchy which could unify the new society under its control required a condition that was attained sooner or later in the various states; the most "dynamic" groups in the hitherto stifled economies---that is, the commercial bourgeoisies of the coastal capitals or the propertied producers oriented toward international trade---had to prevail over the "centrifugal" forces which thus far had been relatively checked by the patrimonial bureaucracy.<sup>68</sup>



Thus the attempts to "modernize" were continuous with the past structure. The new states were other directed, dependent on foreign markets, and had no control over its capital sources. "The 'modern' patterns and courses of action were mediated through the persistent structures and patterns of behavior derived from the centuries the old patrimonial bureaucratic order."<sup>69</sup>

The failure of Latin America was its inability to create a system based on the individual's achievements and on supremacy of private initiative.<sup>70</sup> The bureaucratic patrimonial values and norms still heavily influence the organization of "modern" Latin American society. The heirarchical order of statuses is still observed, with the decedents of the Creole elite in the forefront. The vacuum created in the entrepreneurial and business levels by the upward noble Creoles has been filled by immigrants from Europe, Asia, and Africa---who for the most part either remain periferal to the main status structure or adapt the values of the "Gentleman" Complex."<sup>71</sup>

A summation of such costs indicate the extent to which the institutional prerequisites of capitalistic evolution went unattained. The costs include (1) fragmentation of commodity and product markets by taxes, restrictions on trade, regulations placed on producers, and transport costs, (2) the numerous imperfections in the market information system, (3) the practical absence of money and capital markets of an early modern type, and (4) the various obstructions to the development of a market in land.<sup>72</sup>





The rise of the Creole elite under the rule of Spain did not threaten the value structure of that society. The Creoles internalized the roles and norms of the Iberian Crown and sought wealth through commerce and industry only as a means, and not an end of attaining the status position of the Iberian aristocracy: In so doing, the Creole elite (1) failed to develop its own identity or ethos, (2) reinforced the values of the societal structure, and (3) thus did not opt for the institutional pre-requisites of emerging capitalism.



# FOOTNOTES

<sup>1</sup>See page 12.

<sup>2</sup>C. H. Haring. The Spanish Empire in America (New York: Harcourt, Brace, and World, Incorporated, 1963), p.

<sup>3</sup>"The economic policy of the Castilian crown with regard to the colonies was in accord with the prevailing mercantilist ideas of the time. The ideal, then as now, was national power and self-sufficiency, although the means employed to achieve this and were generally somewhat different from those that operate today. National power meant military and naval power, supported by an abundance of money and command of certain essential products. And these were to be secured by a definite economic policy that involved the protection of certain industries and activities within the commonwealth at the expense of others. The accumulation of money was conditioned by the prevailing belief that gold and silver alone constituted wealth---the so-called bullionist theory. Each nation must keep what it had and get as much as possible from others. In the earlier and cruder stages this object was attained simply by prohibiting the export of the precious metals, a device that was never wholly effective, especially when trade with the Orient was involved. Later it was supposed to be accomplished by maintaining a favorable 'balance of trade.' The production of commodities that increased exports was therefore encouraged; certain other industries might be discouraged by restrictions or even prohibition. Mercantilism was essentially a protectionist system, aimed to secure the ultimate welfare of the community as a whole, but involving radical interference with private interests and aimed largely at export commerce." Haring, op. cit., p. 313.

<sup>4</sup>Robert R. Rehder. Latin American Management: Development and Performance (Reading, Massachusetts; Menlo Park, California; London Don Mills, Ontario: Addison-Wesley Publishing Company, 1960), p. 204.

<sup>5</sup>George, Forster. Culture and Conquest (Chicago: Quadrangle Books, 1960), p. 3.

<sup>6</sup>William P. Glade. The Latin American Economics: A Study of their Institutional Evolution (New York: American Book, 1969), p. 33.

<sup>7</sup>Forster, op. cit., pp. 10-11.

<sup>8</sup>Ibid, p. 12.



<sup>9</sup>Haring, op. cit., p. 4.

<sup>10</sup>Idem.

<sup>11</sup>Idem.

<sup>12</sup>Glade, op. cit., p. 43.

<sup>13</sup>Magali Sarfatti. Spanish Bureaucratic-Patrimonialism in America (Berkeley: Institute for International Studies, University of California, 1966), p. 3.

<sup>14</sup>Haring, op. cit., p. 6.

<sup>15</sup>The first expeditions of Columbus were authorized and financed as adventures of Queen Isabella, and the profits of the venture accrued to her and her heirs as the sovereigns of Castile. And from the outset the Indies were treated as the direct and exclusive possession of the crown. They were not, strictly speaking, Spanish. They were not even an integral part of the Castilian kingdom. Mexico and Peru were kingdoms, combined with the kingdoms of Spain under a common sovereign, bound to Spain only by the dynastic tie. They were not colonies, strictly speaking, although they were colonized by Spaniards. The king possessed not only the sovereign rights but the property rights; he was the absolute proprietor, the sole political head, of his American dominions. Every Privilege and position, economic, political or religious, came from him. It was on this basis that the conquest, occupation, and government of the New World was achieved." Ibid., p. 7.

<sup>16</sup>Ibid, pp. 4-5.

<sup>17</sup>Ibid, p. 22.

<sup>18</sup>Sarfatti, op. cit., p. 54.

<sup>19</sup>Ibid, p. 47 and Andre Gunder Frank. Capitalism and Underdevelopment in Latin America (New York and London: Monthly Review Press, 1967), p. 62. Also see Gabriel A. Almond and James S. Coleman. The Politics of Developing Areas (Princeton, New Jersey: Princeton University Press, 1960), p. 470.

<sup>20</sup>Haring, op. cit., p. 62.

<sup>21</sup>Ibid, p. 59.

<sup>22</sup>Ibid, p. 76.





- 23Sarfatti, op. cit., p. 27.
- 24Glade, op. cit., p. 59.
- 25Ibid, p. 58.
- 26Ibid, p. 38.
- 27Haring, op. cit., p. 30.
- 28Ibid, p. 34.
- 29Ibid, pp. 32-3.
- 30Ibid, pp. 40-1.
- 31J. W. Horrocks. A Short History of Mercantilism  
(London: Methuen and Company, Limited, 1924), pp. 1-2.
- 32Jacques Lambert. Latin America: Social Structure and  
Political Institutions (Berkeley: University of California Press,  
1967), pp. 98-9.
- 33Almond and Coleman, op. cit., p. 466.
- 34Sarfatti, op. cit., p. 58.
- 35Haring, op. cit., p. 126.
- 36Sarfatti, op. cit., p. 44.
- 37Haring, op. cit., p. 102.
- 38Ibid, pp. 108-9.
- 39Horrocks, op. cit., p. 101.
- 40Eli F. Heckscher. Mercantilism (New York: McMillan  
Company, 1955), Vol. I, p. 344.
- 41Glade, op. cit., p. 63
- 42Sarfatti, op. cit., p. 35.
- 43Ibid, p. 38., and Francois Chevalier, "Roots of Person-  
alismo," reprinted in Hugh Hamill, ed., Directorship in Spanish  
America (New York: A. Knopf, 1965).





<sup>44</sup>Haring, op. cit., pp. 28-9.

<sup>45</sup>The absence of any discussion of the role of the Church in the colonization process is conspicuously absent from this paper. To incorporate the impact of the Church on colonial development into this discussion would take up too much time and since the role of the Church has been extensively researched in the literature, I feel justified in disregarding it. For the purposes of this discussion, the role of the Church and her clerics in America really only directly affect this investigation in two ways. The first important role of the Church was that of the moral sanctioner of the values and norms implemented by Spain in the New World. Although the degree to which the Church upheld or disagreed with the crown in the treatment of the Indians and in the structuring of colonial society depends on the quoted source, the role of the top Church officials in the later colonial era coincided with that of the crown. Significant clashes did occur between the crown and various orders as the Franciscans, Benedictines, or Jesuites in relation to the treatment of Indians. The Church usually won out. The second important role of the ecclesiastical complex had to do with capital and because of the right of the Church to levy taxes and extract "homage" as granted by the crown, the churches of Latin America cornered any free capital circulating in that society. Some authors have referred to the churches of colonial Latin America as the first Latin American banks.

<sup>46</sup>Glade, op. cit., p. 32.

<sup>47</sup>Haring, op. cit., p. 302 and Sarfatti, op. cit., p. 53.

<sup>48</sup>Glade, op. cit., p. 73.

<sup>49</sup>Idem.

<sup>50</sup>Sarfatti, op. cit., p. 57.

<sup>51</sup>Ibid, p. 54.

<sup>52</sup>Idem.

<sup>53</sup>Ibid, p. 56.

<sup>54</sup>Ibid, p. 53.

<sup>55</sup>Ibid, pp. 57-8.

<sup>56</sup>Sarfatti, op. cit., p. 35.

<sup>57</sup>Forum and Blum, op. cit., p. 6.

<sup>58</sup>Haring, op. cit., p. 198.

<sup>59</sup>Ibid, pp. 206-207.



<sup>60</sup>Sarfatti, op. cit., p. 49.

<sup>61</sup>Sergio Bagu. Economia de la Sociedad Colonial (Buenos Aires: Ateneo, 1949).

<sup>62</sup>Sergie Villabobos R. "The Creole Desire for Office," in R. A. Humphreys and John Lynch, eds. The Origins of Latin American Revolutions.

<sup>63</sup>Sarfatti, op. cit., p. 41.

<sup>64</sup>Ibid, p. 62.

<sup>65</sup>Ibid, pp. 61-2.

<sup>66</sup>Ibid, p. 100.

<sup>67</sup>Alessandro Pizzorno, "Accumulation, loisirset rapports de classe," Esprit (June, 1959), pp. 1004-1006.

<sup>68</sup>Richard M. Morse. "The Heritage of Latin America," in Louis Hartz, ed., The Founding of New Societies. (New York: Harcourt, Brace, and World, 1964), p. 161.

<sup>69</sup>Sarfatti, op. cit., p. 98.

<sup>70</sup>Ibid, p. 100

<sup>71</sup>Glade, op. cit., p. 37.

<sup>72</sup>Sarfatti, op. cit., p. 102.

<sup>73</sup>Glade, op. cit., pp. 86-7.



## CHAPTER VI

### THE LATIN AMERICAN BUSINESS SECTOR: A REVIEW OF RELEVANT, CONTEMPORARY LITERATURE

The emergence of Latin American nations from the domination of colonial rule occurred at the same time as the French and American revolutions and was principally inspired by the ideas exported from France.<sup>1</sup> But the nature of the independence movements differed from those countries which had also undergone the changes of the Protestant Reformation and the Enlightenment. Instead of a grass-root movement, the Latin American push for independence was supported by the creole elite.

The result of the moves for independence was that the hierarchical nature of the social structure was maintained in Latin America. Fulfilling Saint-Simon's predictions that a Revolution only affects a change in the elite sector of society, the creole elite moved into the positions vacated by the Spanish and life continued as usual.

One of the most significant characteristics of Latin American political systems is the relative stability of the power structure and of the capacity of the aristocracy and the new rich to accommodate one another so as to maintain elitist structures committed in high degree to the interests of the wealthy and prestigious. The factors that seem at least in part to account for this stability include: the intense resistance to change on the part of the establishment, the tendency of many middle class people to mold their values after those of the traditional elite; the increasing fear on the part of former





reformists and even radicals of the middle class that the forces of social change once unleashed will elevate Jacobins to leadership positions and destroy the middle class, a perspective undoubtedly heightened by the experience of the Cuban revolution; the continued, widespread non-politization of the lower class, even in metropolitan, industrial centers; and the decisions on the part of dominant military sectors to support the status quo rather than take the risk on changes threatening both their traditional prerequisites and their very existence.<sup>2</sup>

It is at this point in Latin American history that the labels of underdeveloped, developing and developed nations becomes prominent in the social, economic, and political arenas. The interpretation of this stability in elite structure if not those who fill those positions, has lead to the interpretation of Latin American society as a traditional, primitive, or original society.

Since the 1930's three major positions can be identified in the literature which address the issue of development in Latin America.

In these three positions, two opposing views maintain the stance that developing nations are traditional or primitive. The third attempts to deny that the elite structure is traditional and is a result of the capitalist system.

The first position is that described as "the ideology of economic development" as mentioned in Chapter I and discussed in Chapter III. This view is an outgrowth of naive evolutionary structural-functionalism which maintains that societies as man must go through certain stages in the evolutionary process from a more primitive to a more advanced state. The industrialized nations, especially the capit..



alistic industrialized nations, became identified as the more advanced according to evolution. This left the non-industrialized nations assigned to an inferior category by induction.<sup>3</sup>

The second prevalent position represented in the literature is the Marxian position. Like the "ideology of economic development", Marxism relies heavily on an evolutionary scheme of the progression out of feudalism, into capitalism, and finally resulting in a socialistic society. In Latin America this viewpoint provides an ideological base for different guerrilla movements whose aim is to bring an end to the capitalist system of exploitation in favor of socialism. This position is not well-represented in English-language literature as it is in Spanish-language literature.

The third position is a more recent view which relies heavily on Marxian tradition, but negates the historical-evolutionary assumptions of Marxism as being inapplicable to Latin America in the 20th century. This position espouses an analysis according to the hinterland-metropolis model. The emphasis here is that the capitalist system has produced both development and underdevelopment, and that underdevelopment is not an original or primitive state of a static society.

All three of these positions rely heavily on the role of elites in Latin American society. The "ideology of economic development" places heavy emphasis on the rise of a new elite to challenge the "traditional" elite. The Marxist position relies on a small revolutionary elite to stir the masses. And the hinterland-metropolis view looks at the external and internal elite structures in relation to patterns of expropriation and appropriation. What emerges is that the





elites play a significant role in Latin American affairs regardless of the theoretical preference.

The business sector of Latin America also provides a focus for the development controversy. The business group represented in industry, management, or enterprise and as composed of members from traditional, foreign, or new elites, in one way or another bears much of the burden for development or failure to develop in most discussions of the Latin American problem.

Although major positions can be identified in the literature, since the 1950's and the recognition of a need to re-formulate the over-simplified models of development, much borrowing of concepts has made any clear-cut differentiation of positions difficult. Although much of English-language literature, especially that from the U.S., still holds to an implicit "ideology of economic development" model, adoption of concepts and models from other theories has confused the literature.

For this reason, in trying to order a review of recent relevant literature on Latin American business elites, it became necessary to organise the material chronologically and not by theme.

#### I. Sanford Mosk: Industrial Revolution in Mexico, 1954.

According to Mosk, Mexico's position within the international economic market must be traced to its colonial status during the time of industrial development, specifically industrial development in Spain and then Britain and eventually in the United States.



It was in the industrialized nations that human wants were satisfied more abundantly than ever before in history. The colonial colonies were left far behind. Those who worked in producing raw materials and food stuffs in the colonial economies made small gains, if any, in their living standards. The fruits of the world's economic progress were not shared equally between industrialized and non-industrialized areas.<sup>4</sup>

The experience of deprivation of the affluence accruing to the industrialized nations led the independent nations still bearing the burden of colonial economies to the conclusion "that the key to higher standards of living is industrialization."<sup>5</sup> Since the Revolution of 1910 in Mexico, a two-pronged attack of agrarian reform and domestic industrialization has been undertaken by the "Permanent Revolutionary" government. Emphasis has switched from agriculture to industry depending on the interest of the cabinet in power, but generally efforts have been taken to make the Mexican economy more self-sufficient, diversified and industrialized.

However, despite fifty years during which the nationalization of key industries, high protective tariffs, and state intervention came into effect, the economic situation of Mexico, though good relative to standards for developing nations, is far from attaining a piece of the high standard of living enjoyed by those first to industrialize. As Mosk observes:

In Mexico about 70 per cent of the population lives wholly or largely outside the commercial framework, although Mexico actually has had a more diversified economy than most of the Latin American countries. Subsistence farmers in Latin America have produced mostly for their own





consumption; they have had only minor contacts with commercial markets and their purchases have been limited to essentially local barter transactions. Since they practice primitive farming methods, their crop yields have been meager. Their standards of living have also been very low.<sup>6</sup>

Though 70 per cent of the population live outside the commercial economy, it is not a case, as some would interpret it and as Mosk seems to do himself, of peasants failing to be absorbed into the industrial process. Rather, it is the world economic framework that maintains the barriers to active entrance of these people into the industrial economic market. The relationship of the industrialized nation as metropolis to the developing nation as hinterland is again repeated within the borders of the developing nation: the urban sectors remain affluent so long as the rural areas remain primary producers with no claim to the urban affluence produced from exports of secondary, and in some cases tertiary industry. The interdependence of the two sectors is further affirmed by Mosk's illustration of the situation.

The two parts of the economy are connected by the movement of persons from one to the other. In times of prosperity, some people leave the rural community and shift into the "modern" sectors, where employment yields as a rule a higher standard of living. In times of depression, the movement of people is reversed. This shift, which is both regional and occupational, explains why unemployment never reaches large proportions in a Latin American country. Instead of suffering absolute unemployment in time of depression, workers transfer themselves to much less productive occupations.



In 1954 Mosk identified a new movement afoot dedicated to building up Mexican industry and commerce. This group has been termed the New Group.

A. THE NEW GROUP

Mosk characterizes the New Group in this way:

The New Group is composed chiefly of owners of small manufacturing plants. Most of these plants, moreover, came into being during the Second World War to supply articles no longer available from foreign sources in sufficient quantities to satisfy the Mexican market. These industries represented by the New Group are small and of recent origin. A third important characteristic is that they use Mexican capital. This sets them off from those new industries in which American capital is participating, whether in the form of investment or in supplying the technical direction. And last but not least in this list of characteristics, the New Group industrialists do not have good relations with the principal institutions in Mexico.<sup>8</sup>

The New Group industrialists use an organization called Camara Nacional de la Industria de Transformacion (National Chamber of Manufacturing Industries) as a mouth piece for the aims and views of the group. The Camara is also a fairly new organization, dating from 1942, but its force was felt, according to Mosk, in aiding the formation of "industrial consciousness"<sup>9</sup> in Mexico. Joined together under the umbrella of the National Chamber of Manufacturing Industries, the New Group has achieved official recognition in a range of manufacturing industries.





Despite its growing influence, the Camara Nacional de la Industria de Transformacion does not represent the whole of the manufacturing industry in Mexico. Mexico's older and more important industries have long since formed their own associations and are generally represented in the areas of textile, shoe, soap, and paper industries.

Those older industries affiliated with the Camara especially in basic iron, steel, beer, tobacco, food processing, and cement form the opposition within the Camara, but thus far their voices haven't been sufficiently strong to over-rule the positions of the New Group. And Mosk maintains: "There is no reason, however, to expect a reversal of the steady decline in their (New Group) influence."<sup>10</sup> The strength of the New Group either in relation to old industries within the chamber or in relation to old manufacturing interests outside the chamber is their positive program for industrial development.

The avowed objective of the New Group program is to raise the standard of living of the Mexican people. The principal means to this end, they argue, is industrialization. Other phases of the economy must be developed, it is true, but none of these can give a like impulse in raising productivity and in spreading purchasing power among the mass of the population.<sup>11</sup>

The New Group's policy for industrial development hinges on relationships with (1) labor, (2) the government, (3) and the United States. In all three relationships, the plan of action proposed by the New Group is in opposition to the position of the older manufacturers.

Firstly, the New Group sees cooperation between labor and management as crucial to building up both industry and a decent standard of





living.

The New Group seeks the cooperation of organized labor in promoting the industrialization of Mexico, pointing out that labor will share the fruits of industrialization in higher standards of living. Labor and management are engaged in a joint undertaking of national social and economic betterment. It is maintained that this identity of interest between employers and workers in Mexican industry far overshadows any disagreement that might arise, and that for this reason labor disputes can be settled peacefully and quickly by frank decisions in labor-management conferences. The New Group, therefore, welcomes negotiations with trade unions.<sup>12</sup>

Following from this position the New Group projects that in the long run higher standards of labor discipline resulting in higher productivity and lower unit costs will result. By distributing responsibility on both sides, it is reasoned that initiative will be forthcoming from both labor and management.

The second issue that the New Group undertakes is industry's relationship with government. It is their belief that industrialists, labor, and government should work together toward the implementation of an industrial program. They propose continuous and intimate contact between government agencies and industrial groups. They hold that industry should be used as an advisory source for governmental decisions dealing with economic policy. The mechanism for exchange are already present in the existence of different chambers of industry and in the different government agencies.

What the New Group advocates, therefore, is by no means state intervention in the ordinary sense of the term. They assign the gov-



ernment a prominent role, it is true, but they want the government to arrive at its decisions on the basis of information and advice supplied by the interested industrialist groups. What they propose is business intervention in government rather than government intervention in business.<sup>13</sup>

The third platform held by the New Group concerns Mexico's relationship to the United States.

The third fundamental difference between the New Group and other industrialists relates to American participation in Mexican industrialization. The New Group is plainly hostile to American industrial interests in Mexico. This applies to American firms that are operating jointly with Mexican capital as well as to outright branches of American manufacturing concerns. Such an attitude is obviously consistent with their basic nationalistic position. Moreover, they dislike the American and quasi-American enterprises on grounds of size. The New Group, as we have seen, are owners of small plants. The enterprises with American connections are relatively large in Mexico, no matter how small they may seem alongside their American parent companies. These firms it is feared, will dominate the Mexican market at the expense of the Mexican concerns in the same industry. That is why the New Group sponsors measures designed to discourage American firms from entering the field and to handicap those which are already established.<sup>14</sup>

All in all the New Group views manufacturing not merely as an economic enterprise of investments and returns, but interprets it in a nationalistic light as a force to improve the social and economic conditions in society and not just the individual investors. "It is a new and higher phase in the unfolding of the Mexican Revolution."<sup>15</sup>





American business interests are seen as conspirators in an effort to crush Mexican industry.<sup>16</sup> Those Mexicans who do not assume the stance of the New Group are in turn labeled un-patriotic<sup>17</sup> since the plan for industrialization is a continuation of the first revolution.

But the New Group also has some gaps in its program:

On this problem (of industrialization) the New Group lays down some definite propositions but leaves other questions to be answered by implications. In the long run, it seems, any manufactured article consumed in volume in Mexico should also be produced there. They do not say this in so many words, but a careful reading of their publications fail to reveal any exceptions to the industries that one day Mexico will see in operation. The ultimate goal is an industrial framework analagous to that of the United States. How long it should take to reach this objective they do not say, but one gets the impression that they consider 25-30 years sufficient if government and industry will only follow their specifications.<sup>18</sup>

But there are other Mexican manufacturers who maintain a dogged opposition to the New Group program.

#### B. OTHER MANUFACTURING INDUSTRIALISTS

Beside the New Group, Mosk identifies three other manufacturing sectors within Mexican society. The first is represented by those industries important in the Mexican economy before World War II. The second cluster of industrialists are those new large ventures which have some connection with American enterprise or capital. And the third group is composed of older small-scale and handicraft industries prod-



ucing for local markets.<sup>19</sup> Only the first will be discussed here as it is the only group which jeopardizes the position of the New Group.

The group composed of manufacturing industries before World War II represent a large obstacle to the New Group's implementation of their program. These old industrialists are concentrated in the areas of textiles, iron, steel, beer, shoes, paper, cement, tobacco, soap, sugar refining and flour milling. Though each of these industries faces unique problems, they are all united by the fact that each industry grew up under tariff protection and thus were able to attain stability within the Mexican market.

In practically every case it can be safely said that the operators were satisfied with the size and nature of the market for their products, although the precise reasons for this attitude may have differed somewhat from industry to industry. Expansion and risktaking have had little place in their cautious and conservative business outlook. Such attitudes, which are the industrial counterpart of those typically found among large landholders in Latin America, obviously do not change with ease. Even the stimulus of wartime conditions has failed to affect them materially.<sup>20</sup>

It is no secret that the older industrialists would be bothered by the development and expansion of industry along new lines. The New Group especially threatens the stability with which the old industrialists have been satisfied. "It is naturally difficult for them to see any advantages in the rise of the new class of businessmen."<sup>21</sup>

The conservative position of the old industrialists can be accounted for not only by their achievement of a sufficient domestic market with protection from foreign markets through the tariffs, in other words a reason for active maintenance of the status quo, but the





position held by the old industrialists is closely aligned with the Mexican "establishment."

It is important to realize that the older manufacturing firms of Mexico are an integral part of a larger business community which includes the leading banking and commercial institutions of the country. To some extent they are tied to interlocking directorates. But even without such formal ties, the banks regard the older manufacturing enterprises as favored clients, a rank which they share with great commercial firms. Before the outbreak of the Mexican Revolution in 1910 it was the large landowners who held this position alongside the old merchandising concerns as a preferred credit risk. The progressive liquidation of large landholdings under the agrarian program, however, made it possible for the well-established manufacturing concern to take the place of the landowner in the credit structure.<sup>22</sup>

A triumvirate of the older industrialists, the leading bankers, and the principal merchants operate with surprising solidarity in the Mexican society. These three groups often join in real estate or construction ventures. They present a unified front in regard to economic policy. As Mosk puts it: "There is little question but what these three groups see eye to eye on developments in the Mexican economy and on issues of national economic policy."<sup>23</sup>

Given this background, the older industrialists take great exception to the New Group program. For one thing the older industrialists are "distinctly hostile to trade unions."<sup>24</sup> For varying reasons trade unions are viewed with suspicion. A predominant attitude held by the old group is that trade unions interfere with the traditional paternalistic relationship between employer and employee.



On the point of government participation in industrial affairs, this group assumes a more conservative position than that put forward by the New Group.

The older industrialist groups certainly do not object to all forms of government intervention. Tariff and other specific measures on behalf of their industrialists are welcomed with open arms. They do object, however, to broad, comprehensive economic action on the part of government, even with industry participating. At bottom, they distrust and fear the government, an attitude which can be explained principally by three features of government policy since the outbreak of the Mexican Revolution, namely labor legislation, agrarian laws, and the expropriation of foreign oil holdings.<sup>25</sup>

The old industrialists are fearful of a creeping control of government ownership which would extend progressively at the expense of private enterprise. They then oppose an alliance between industry and government, much less the inclusion of labor as an equal partner.

In relation to the American interests in Mexican industry, the old group has no stand as they have few American connections and their businesses are not directly threatened by American manufacturing.

### C. ADDITIONAL ISSUES

#### 1. Machine Availability:

An issue which faces all Mexican industrialists is access to manufacturing equipment. Scarcity of heavy industrial machinery and dependence upon industrialized nations not only for the original machine, but also spare parts and in some cases maintenance, leave the





Mexican manufacturing industry in the same dependent position in relation to developed nations as before the move to industrialization.

The New Group has seized upon this issue to call for the production of machine-making industries in Mexico.

Short supply in the advanced manufacturing nations, as an aftermath of the war, is mentioned as one reason. But the principal reason given is that the great industrialized countries have always been reluctant to export producers' goods and they will purposely restrict such exports to a minimum in the future.<sup>26</sup>

Again, the New Group takes this issue to drive home the notion of a U.S. conspiracy to undermine the Mexican economy to support their position. But whether the "plot" is real or imaginary, most foreign policies of the developed nations support a substitution plan of industrialization in the developing countries which rarely includes the manufacturing of manufacturing equipment.

## 2. Manufacturing Costs:

Given the machinery and capital to set up a manufacturing industry, some maintain that foreign competition could underprice the domestic market.

This competitive disadvantage is explained by a number of reasons among which the following can be singled out; higher rates of interest; small domestic market, leading to factories of limited size which cannot enjoy the advantages of large-scale production; weak spots or gaps in the industrial structure as a whole; inefficiencies in technical and financial manufacturing and in manufacturing operations.<sup>27</sup>





The New Group proposes tariffs to protect the Mexican domestic market from the "ruinous" foreign competition. But some observers note that until now the tariff policy has only succeeded in sticking the consumer with the burden of high-priced domestic goods whose quality is often questioned. Another point is that "very little is said about lower prices once the new industries have established themselves"<sup>28</sup> under tariff protection.

### 3. Subsidies for Industry:

Government subsidies for industry have become a unique characteristic of the Mexican government---a strange mixture of capitalism and socialism which can be claimed neither by the U.S. model nor the U.S.S.R. model.

The effective beginnings of a government policy to subsidize industrial development in Mexico date from 1941. Since that year special laws have made it possible for the Mexican government to grant subsidies to 'new and necessary industries' by exempting them from taxes and from the payment of import duties. This subsidy policy meets with the general approval of the New Group, and they want the government to continue to indefinitely. However they would like to see the policy extended and strengthened in certain ways.<sup>29</sup>

Two proposals for extending subsidies includes: (1) a lengthening of the tax exemption period to as much as ten years and (2) industries involved in making primary materials should receive direct, outright subsidies from the Mexican government. But such a subsidy policy might have more far-reaching implications for the society, i.e., inflation. Such issues haven't concerned the New Group as yet.



#### 4. The Credit Structure:

Another issue affecting the development of manufacturing in Mexico is the credit structure. As previously mentioned, the old industrialists have a high credit rating and are linked with the banking institutions of Mexico. But the industries represented by the New Group have little connection with the Mexican financial institutions. "The difficulty of getting credit from the banks is not only a bar to plant expansion but it is also a severe handicap in ordinary industrial operations that require more working capital than the owners are able to supply."<sup>30</sup>

#### 5. The Mexican Merchant:

A fly in the ointment of the New Group's hope for extension of the Mexican market system to include more of the Mexican populace has been identified as the merchant. According to the view of the New Group, the merchants have over extended their part of the profits.

The merchant, it is granted, performs a useful function as a distributor and he is entitled to a return for his services. But the commercial interests of Mexico have levied on the community a greater charge than their services are worth. This is explained principally by two circumstances. One is speculation by merchant groups who have been in a position to dominate transactions in important commodities. The excessively high prices caused by such operations have restricted the size of the market in Mexico, thus prejudicing the manufacturer as well as the consumer. The other condition which makes domestic commerce parasitic on the Mexican economy is the needless duplication of commercial establishments. The retail distribution system of Mexico, characterised





by hundreds of tiny neighborhood stores and shops with 2 or 3 attendants in each one, is dreadfully inefficient and costly. Again, the burden is borne both by the consumer and the manufacturer.<sup>31</sup>

What the New Group proposes to alleviate this situation is the investment in their own distributing outlets. Whether this will result in lower prices and more efficiency is an empirical question of the future.

#### D. CONCLUSIONS FOR THE FUTURE

In 1954, Mosk identified a newly emerging business group as perhaps being the saving factor in bringing about the industrialization of Mexico. This emerging elite referred to as the New Group had challenged the position of other manufacturing industrialists, especially the old industrialists by promoting a program of industrialization to attain a standard of living on par with the developed nations. The program centered on a three pronged plan of cooperation with labor and government and drastic exclusion of foreign investment.

The program may or may not pull Mexico through to the achievements of an independent, industrialized Mexico.<sup>32</sup> So far the New Group has been more concerned with global dynamics than specific implications of their program. The union of the old industrialists with banking and merchant interests severely circumscribes the potential effectiveness of this newly emergent group.

But there are issues which confront old and new industrialistic alike. The first problem is the limitation of the domestic market.



As reported above more than 70 per cent of the Mexican people fall outside the commercial marketplace. If industry is to expand, the population must become involved in the consumption of the industrial products. The second problem is in dealing with the disadvantage the Mexican industrialist will incur in competing with large foreign firms. The size of the domestic business is curtailed by the small domestic market. The tariff system so far has dulled incentives rather than sparking competition.

Thirdly, the traditional preference for land investment vs. manufacturing ties up much of the capital needed for expansion. And the scarcity of investment capital is compounded by the fourth problem which is the preference by those who do have savings to export capital to the industrialized nations. These tendencies reflect the lack of confidence present in the population in the ability of Mexico to achieve a stable industrialized economy.

Mosk sees the process of industrialization as involving not only industrial-technical changes, but a "complex social readjustment."<sup>33</sup> The New Group represents a step toward the readjustments necessary to achieve industrialization.

#### E. CRITIQUE

Although Mosk pays nodding attention to the force of the world economic structure as being a source of the problems Mexico is facing, he opts for the ideology of economic development model that industrialization will bring a decent standard of living as happened in the devel-





oped nations.

Mosk does make two very strong points which fit into the hinter-land metropolis model.

1. Mexico's position in the international economic marked can be traced to its colonial sttus.
2. The two sectors of the Mexican market system, participants and non-participants, are connected and exhibit grows commiserate with the strength or weakness of the Mexican economy.

But Mosk seems to exclude an extension of these points into the larger economic picture i.e., can Mexico really escape the subordinate position within the world economy and (2) can the total populace be absorbed into the market system given the world economic framework. Instead Mosk opts for a discussion of the rise of a New Group who exhibits all the achievements, traits, and values (including nationalism) which were present in the first North American industrialists. Mosk even says that the New Group has designed their program after the U.S. Model of industrialization, including labor-management relations, government participation and exclusion of foreign competition.

But the proposed success of such a group did not take into consideration (1) the strength of the world economy in keeping the periphery peripheral and (2) the stability and at the same time flexibility of the old industrialists in maintaining power. In 1964, ten years after Mosk wrote, Brandenburg reports that no trace of the New Group could be found within the Mexican industrial sector.<sup>34</sup>



II. William F. Whyte and Allan R. Holmber, The Human Problems of U.S. Enterprise in Latin America, 1956.

Whyte and Holmber have analysed some of the problems American businesses incur when setting up shop in Latin America. They mention some points of divergence between the United States and Latin America which account for different ways of "doing business."

A. SOCIAL STRUCTURE

Mexico is a hierarchical society lacking a middle class in the usual sense of the term. The authors place credence in the position that industrialization must occur with a simultaneous development of a middle class. But they qualify their position by suggesting that the middle sectors of the Latin American countries have not yet chrysalized and when they do, they will develop an ethos different from that of the American middle class, though supportive of industrialization. In the meantime the division of elite and masses hampers industrial progress especially by the absence of a trained middle management.<sup>35</sup>

B. THE INDIVIDUAL AND SOCIETY

There is a difference between how a person from the U.S. views himself in relation to society and how a Latin American sees himself in relation to his society. Whyte uses the term Personalismo to point to that complex of values which results in the different perception of the relationship. Personalismo can be described as follows:





In Latin America it is more than the doctrine that the individual, and not the society, is of paramount importance in human life. Personalismo goes even deeper than this. Not man in abstract, but man in the concrete becomes the center of the universe. And the concrete man in the center of the universe is the person himself.<sup>36</sup>

In practice the concept of personalismo is exhibited in the tendency to personalize all relationships even between people and inanimate objects. "Much of the economic life in rural areas is based on the personal relation between Patron and Peon."<sup>37</sup> There is distrust of large, impersonal organizations since it submits the individual to the needs of the organization. In other words:

Here (U.S.) an individual, despite his personality, is deserving of respect because of his position. There an individual, despite his position is deserving of respect because of his personality.<sup>38</sup>

Such a view of the individual causes complications in the ordinary functioning of businesses as will be seen in Cochran's account of the Pureto Rican Businessmen.

### C. THE FAMILY

The family in Latin America plays a more significant part in patterning social relationships than in the United States. Even though it has been theorized that the extended family is not particularly conducive to urban life and will disappear as nations become industrialized, the extended kinship systems of the Latin Americans are very much alive and functioning.





The recognition of a blood tie involves serious commitments and obligations, for it is through the family and the bonds of kinship that one makes his way in the world. It is no secret that in Latin America businesses are run by families, that nepotism is practiced in government, and that wealthy and aristocratic families are highly inbred. The family is the one institution to which loyalty is almost always expressed. This does not mean that relationships within the family are all harmonious, for the opposite is often true, but pride in the family name is so great that to the outside world, at least, the family presents a united front of friendly cooperation. Indeed, in fighting his battle against the world, the Latin American can always turn for aid to the family, the one institution on which he can depend.<sup>39</sup>

The family provides society with a stability which is provided by other institutions in other societies.

#### D. MOBILITY

The strength of the family can also account, in part, for the low degree of mobility in Latin American societies. Not only is it a matter of closure to individuals to enter new classes, but largely the ties within the family-class to keep the individual "one of them." Contact among people has become ritualized in Latin American society, and the industrial situation is not included in the normal repertoire of "how to act" and thus the strain of industrialization is most felt in the everyday interpersonal relationships.

In Latin America, there has been frequent contact among people of different status levels, and yet, in the past such contacts have tended to follow a standard,



formalized pattern such as we find in relationship between master and servant. As new situations arise where the master-servant relationship is clearly not appropriate, we can expect Latin Americans to have difficulty in establishing a comfortable informal relationship across class lines than is the case in the United States. The process of moving up in society always involves some dropping of earlier social ties. In Latin America, with a more stratified society, the break is sharper than it generally is in the United States. We often find that an individual is promoted primarily because of the degree of trust he has built up from his immediate associates. When he then strives to cut himself off from them, he loses the main asset for which he was recognized.<sup>40</sup>

The psychological barriers created by strong family ties throughout the entire society prevent many capable of assuming positions and therefore life-styles higher than that of their parents and thus of filling the void of the middle sector. For many playing the rugged individualist without family support is like being an island in the social seas.

#### E. AUTHORITY

The hierarchical nature of Latin American social structure and the prominence of the patriarchal family as a major stabilizing institutions combine to affect a concept of authority different from that found in the United States. The concept of authority inhibits the functioning of industry along the type of efficiency model and distribution of power as present in U.S. industry.

In Latin America, we assume, in general, a greater tendency to accept the authority of the boss. This does not necessarily mean that





Latin-American workers will be content with the action of the boss which would be resentful, but they are less likely to challenge authority directly, in a face-to-face situation. At the same time, the Latin American boss---at least if he comes from a social status higher than his sub-ordinates---is less likely than North Americans to have self-doubts regarding the justification of his own authority. On the other hand, the Latin American who rises from humble origins to a supervisory position may have even greater anxieties over his authority than does his North American counterpart. Such a Latin American supervisor may hesitate to wield his authority at all, or he may go to the other extreme and become highly autocratic.<sup>41</sup>

The attitude toward authority and the influence of personalism affect the quality of relationships and attitudes in the work situations. The Latin American, for example, does not see frankness as a virtue; but he places much value in courtesy. At least surface harmony must be maintained at all times. The simplicity and brevity of the North American is often interpreted by a Latin American as a lack of courtesy.

#### F. WORK

Whereas work in the North American continent holds an almost sacred position amongst values: the Calvinist tenet of salvation through work; in Latin America work is divided as the classes are divided: the upper class works with its head while the masses work with their hands. "It is the nature of things that some are born to leisure and others are born to work, even though the latter may not be particularly happy with their lot nor value work activities they perform."<sup>42</sup>





Work is not considered an end in itself in Latin America.<sup>43</sup>

Working with the hands is a necessity to be endured in order to survive. Working with the mind enhances the individual and thus there is great emphasis on the humanities and the arts vs. science or commerce.

There is everywhere a preference for ideas rather than things; for abstract theory rather than empirical research; for armchair speculation rather than precise experiment; for deductive reasoning rather than inductive thought. This is further reflected in the contributions made to world culture by the Spaniards and Latin Americans, which include some notable examples of literature and art but relatively little of great distinction in the field of science.<sup>44</sup>

The attitude toward manual labor has significant effects on a population endeavoring to industrialize. At the top, members of the leisure class are unwilling to accept jobs involving manual labor. Those individuals who have become upwardly mobile, tend to avoid the stigma of manual labor. "A true gentlemen, if he works at all, works only with his mind. He regards it as undignified to dirty his hands on anything that is identified with physical labor."<sup>45</sup>

Another outgrowth of the Latin American concept of work relates to the attitude of success. Success to many means reaching a position in an organization where one no longer has to work. Or it may mean accumulating enough wealth to renounce an organizational position and dabble in real estate or philanthropic (in the Mexican connotation of the term) endeavors. Either way this is the opposite of the U.S. executive who unleashes full steam as he ascends the organizational hierarchy.



Obviously, the decapitation of industrial leadership due to premature retirement will have an effect on management efficiency.

#### G. THE OBLIGATION OF THE ELITE

A point often overlooked by researchers is the attitude of the elite toward society. With high allegiances toward the family, a sense of personalismo, and an acceptance of the hierarchical social structure as just and natural, the elite of Latin America have not developed the same type of civic responsibility.

The prevalent view held in Spain introduced into Latin America was that for the large mass of people at least, there was a naturally ordained world of inequality, oppression, and suffering which if endured according to scripture, however, would produce its reward in the end--- eternal bliss in heaven.<sup>46</sup>

The elites accept responsibility for their families first. The compadrazgo system extends this commitment to those persons accepted into a "spiritual" or "social" family system including usually members of different classes. The elite also feels an obligation to live up to the obligations as patron to those who serve him, and this often encompasses the compadrazgo system. Church charities are an additional means of expressing civic responsibility. But by North American standards the concept of social responsibility is often lacking.

#### H. FATE

The prevalent belief in fate also reinforces the attitude on both



sides of the track that deeds aiming at changing the "natural division" of haves and have-nots would be fruitless.

It is perhaps in part due to such attitudes as these that Latin Americans sometimes seem unwilling to assume personal responsibility, especially in cases of failure. One is constantly at the mercy of forces beyond his control so that if something goes wrong the responsibility lies there, not with himself. If someone misses an appointment some force beyond his control prevented him from making it on time; if someone misses a plane or train, it is they that are at fault, not he.<sup>47</sup>

However Whyte and Holmber are quick to point out that if the need arises to make an appointment on time or not at all, the Mexican designate such a time by hora Inglesa (English time) and appointments are usually kept. "In other words, he can arrive at the appointed hour when he sees any good reason to do so. He sees no point in punctuality for punctuality's sake."<sup>48</sup>

# I. PATON-PEON RELATIONSHIP

A final point of difference between the U.S. and Latin American countries, as pointed out by the authors, is the Patron-Peon relationship. This institutionalized relationship permeates Latin American society and is the blue-print for dominant-subordinate relationship. The paternalistic, dependent nature of this relationship cannot only be witnessed at the individual level as in the relationship of a landowner to his worker, but also manager to worker, nation to community, government to industry.

The role of the Patron is to provide and protect those who are







subordinate to him. He is the father, the authority figure. In return the Peón gives the Patrón his services and allegiance as child and subordinate.

## J. SUMMARY

Given the differences between the two societies, Whyte and Holmber endeavor to outline the role played by American experts in trying to set up operations in Latin America. Initially they take the position:

The task of the U.S. technical expert, as well as that of the Latin American expert, is to design machines and ways of doing work which will fit in with the social and economic environment within which the people are living.<sup>49</sup>

But despite this acknowledgement of the necessity of maintaining compativility with the social and economic environment, the writers' concrete proposals espouse implementation of a program of attitude changes to coincide with industrial efficiency, i.e., North American values.

The paternalistic relationship of worker and manager must be altered to coincide with the functionally specific roles of worker and manager. This is due to such factors as cost<sup>50</sup> and efficiency. Education, initiative and responsibility must become part of the worker's everyday life; fatalism will then be undermined.

If people learn that the acceptance of personal responsibility for events leads to a more rewarding life, then the sense of responsibility will grow. If people see



progress for themselves and all around them, the fatalistic outlook will gradually give way. If management recognizes and rewards the first people who dare to speak up to the boss, then the flow of upward communication will steadily grow.<sup>51</sup>

Such call for optimism and belief in the communications between unequals hasn't yet been substantiated in the North American continent, much less exporting such a communication model. Calls for such "idealistic" and "theoretical" changes might not be as realistic in the long run as the paternalism and fatalism which has developed as a part of the Latin American worker's life.

#### K. CRITIQUE

The purpose of Whyte and Holmber's book was to analyse problems encountered by U.S. businesses in Latin America. In pointing out the problems, they brought out the divergences and dissimilarities between the two countries which account for many of the difficulties in "transplanting" industry to Latin America.

The more rigid nature of the class system in Latin America and the multitude of factors which maintain the class divisions including the family, attitudes toward work, authority, obligation, responsibility, and personal worth, make it necessary to alter the U.S. methods of "doing business" at all levels. Whyte and Holmber have suggested that allowances must be made to fit into the social and economic environment. But the concrete suggestions made would point, not to a reformulation of the work situation in order to fit into the Latin American culture, but a remolding of the personal attitudes and values of those who are empl-



oyed by the Americans in Latin America.

It will be recalled from Chapter I that Friedmann suggested that the industrial revolution also brought with it institutions and values which must be accepted to maintain efficient progress. It seems that what Whyte and Holmber suggest is in line with Friedmann's position: industrialization can only come through the Americanization of core institutions and attitudes to attain an industrialized nation-state, though there may be peripheral exceptions to include native idiosyncracies.

This position is not quite valid in that, as in the case of Mexico, fifty years of endeavoring to industrialize has only resulted in increased dependence upon the industrialized nations bringing into question the validity of progressive evolution through industrialization for underdeveloped countries. A comparison of more American type industries and "traditional" or Mexican industries reveals little difference in the efficiency levels of the workers; and there is even little difference between U.S. and L.A. production if factors such as diet and living conditions are similar. Another factor is that in other countries, e.g., Japan, cultural patterns other than those developed as the American-Protestant ethic complex have succeeded in industrializing while maintaining their own cultural heritage.

The importance of this book in relation to this investigation is that it clearly points out the cultural differences between the U.S. and Latin America. This presents a clearer picture as to the alternatives which can be marshalled within Latin American society to produce a unique response to the process of industrialization.







### III. Thomas C. Cochran, The Puerto Rican Businessman, 1959.

Cochran carried on a systematic study of forty older businessmen selected for their business skills and thirty younger entrepreneurs representing various types of manufacturing enterprises in Puerto Rico. Through interviews and records, Cochran was able to arrive at some basic conclusions about the nature of business on the Island. The empirical nature of this study makes it very important in relation to English literature on Latin America. Surprisingly, most of the trends and issues raised by the author are paralleled in the Mexican literature and in the accounts of most Latin American countries even though Puerto Rico has experienced a significantly different historical development since independence from Spain.

The study revealed that two factors probably more than anything else have affected business development in Puerto Rico: geography and culture. Cochran focuses more on the cultural variables as affecting the business life-style. The Spanish life and culture was inherited by the island; and, according to the author, it "stood in 1900 close to a polar extreme among Western European cultures from that of the United States."<sup>52</sup>

#### A. THE DEVELOPMENT OF THE MANUFACTURING FIRMS

The first manufacturing in Puerto Rico was closely linked to the largest agricultural product---sugar.

From this standpoint it is significant that the first large scale mechanization in Puerto Rico occurred in sugar proc-



easing which was closely linked to agriculture in ownership and management. Many of the new centrals were controlled by the same families that had formerly produced sugar in small mills on their haciendas.<sup>53</sup>

But the active participation of the landed elite in manufacturing interests seemed to confine itself to the refining of sugar. "The strong upper-class of these cities devoted to sugar milling, saw other industry as an inferior way of life."<sup>54</sup>

Family has remained a key institution in Puerto Rico and a cornerstone of manufacturing and business. Though some of the resistance of the upper class to industrial positions has diminished somewhat, the role of the family has remained strong.

But a survey of these firms suggests that although policies have been formed on the basis of information supplied by expert consultants both inside and outside the company, status within the owning family enters into the final power to decide rather more than in large companies in the mainland. In other words, the teamwork concept of the modern American company has been partially adopted, but the position of senior members of the owning family prevents these companies, perhaps to their advantage, from assuming all the characteristics of the managerial enterprise typical of the biggest companies in the United States.<sup>55</sup>

Although professional management predominates, family leadership was still maintained in all cases but two which Cochran investigated.<sup>56</sup> Members of the family are now sent to school in Europe or the U.S. to acquire the training necessary for functioning within the family concern. This leads Cochran to conclude that:

There is no reason why family entrepreneurship should not reach a stage of high efficiency, and in most of the big Puerto





Rican companies this may be the case. On the other hand, control based on seniority in the family tends to perpetuate the deterrents to entrepreneurial activity inherent in Spanish cultural traditions. The precise way in which these factors operate could only be seen after a detailed study of each company.<sup>57</sup>

After arriving at these general conclusions concerning business on the island, Cochran turned to more specific areas: clarifying the validity of commonly held beliefs about business in developing countries, and exposing the financial, technological and cultural barriers to efficient and competitive business endeavors in Puerto Rico.

## B. COMMONLY HELD BELIEFS ABOUT LATIN AMERICAN BUSINESS

1. Manufacturers, in particular, lack social prestige in an aristocratic society, and this discourages the ablest members of the middle-end upper-classes from choosing a career in industry.<sup>58</sup>

Cochran found, contrary to this commonly held belief, that most of the businessmen interviewed were of middle-or upper-class origins and that class wasn't so great a factor in deterring industrial development. Yet remnants of the distrust and stigma of working industry still hold on. "But it is true that land continued to command high prestige and industrialists would often invest money that could have improved their business in relatively useless acreage."<sup>59</sup>

In Puerto Rico family status seems to have retained its strength in determining general social status, regardless of the position or kind of work held by the individual.





In so far as the new entrepreneurs came from families established in large-scale retailing or wholesaling they were likely to be part of an upper-class welded together by family relationships. The influence of family connections in Puerto Rican business and politics constitutes in itself a major study. The fact that one or more sons because apparel manufacturers was, from the standpoint of social responsibility and leadership, less important than their ascribed status based on family origins.<sup>60</sup>

If this is true and if the survival of family status can be found to prevail in other Latin American countries, the evolutionary model of movement from ascriptive status to achievement status simultaneous with industrialization will be proven empirically invalid. The persistence of the family as affording social status to the individual represents a cultural adaptation of tradition to the impregnation of modern industry.

Another off-shoot of the gentleman-landed gentry outlook on life is the survival of the attitudes Puerto Rican businessmen have toward society and community responsibility. Cochran reports that few firms reported taking on the civic minded activities as in the mainland, but that in actual comparison with the U.S., the Puerto Rican businessman came out favorable. Perhaps the discrepancy results not so much from what is done in relation to civic action but in how it is done.

2. Close ties between the government and the upper-class control business opportunity. This discourages men without social and political influence.<sup>61</sup>

The data on small-scale and new businesses reveals that although the colonial administration did not promote economic development, small



business is not dependent upon government. The strongest barrier seems to be the social attitudes "such as the tendency of the food importing merchants to recruit managerial employees from Spain."<sup>52</sup> So at least in Puerto Rico, Cochran concludes that the upper-class and government do not seriously hinder economic development.

3. Government efforts to encourage industry are likely to benefit technologically advanced outsiders, rather than local entrepreneurs.<sup>63</sup>

Government efforts to aid industry have helped both domestic and foreign enterprises alike. The small market structure within the island has produced unique problems. But it would be difficult to answer this commonly held position on the basis of the empirical evidence that Cochran gathered.

C. DETERRENTS TO PUERTO RICAN DEVELOPMENT

1. Financial and Technological Issues:

Puerto Rico is hindered by two common deterrents to economic development through industrialization. The first is lack of capital. "A ready supply of capital for real estate investment exists alongside an extreme scarcity of funds for industrial purposes."<sup>64</sup> The preference for real estate can be traced back to the cultural value placed upon land ownership and the status of those persons who do own land. It might also reflect a real issue that the market size being so small that reinvestment wouldn't be feasible, and thus investment in land could be seen as the only alternative to investment.

The second deterrent is that of a scarcity of administrative per-





sonnel.<sup>65</sup> This reflects the common Latin American dilemma of an underpopulated middle class from which middle management is usually drawn. It also reflects the problem that the educational system hasn't sufficiently met the challenge of providing persons to fill such positions.

## 2. Cultural Deterrents:

a) Values placed upon secure and dignified living together with a distrust of change, work against expansion of enterprise.

To this point Cochran raises the question: is it dedication to the traditional or common-sense realism which dictates the policies of the Puerto Rican businessmen? What U.S. analysts have superficially taken as a stubborn clinging to archaic and traditional methods of operation, have turned out to be very rational patterns of action upon closer inspection.

In Puerto Rico, it is hard, however, to separate attitudes of complacency and disinterest in change rooted in the traditional culture from the hard physical fact of the smallness of the Puerto Rican market. Beyond the moderate annual increases from population growth and higher national income, each distributor or producer thought he could expand only at the expense of the competitors. Since this process was difficult and risky, because of reprisals, there was a tendency to treat demand as inelastic and outlets as relatively fixed. This, in turn, helps to explain the investment of profits in real estate or other relatively safe outside enterprises, rather than the expansion of the firm. Few merchants tried to expand by cutting price and increasing sales efforts. Much the same attitude of contentment with a moderate volume of business was shown by the panel of thirty manufacturers. Only one member had any definite plans for expansion.<sup>66</sup>





Another barrier to manufacturing as influenced by the tradition of dignified living is the dislike expressed by many owners of firms in dealing with the workers and their problems. The difficulty of relating to workers in a purely efficient, U.S. manager to laborer role is humiliating for both owner and worker. The panel members in Cochran's study expressed the opinion that the distastefulness of the owner-worker relationship discouraged many from entering the manufacturing fields.<sup>67</sup>

b) Both control of management by the family group and fear of training managers who may become competitors create barriers to downward flow of information and authority.

The patriarchal control of business was reinforced by the Spanish Code of Commerce, 1886. This Code stipulated a detailed policy for conducting business including a very meticulous book-keeping system. The Code went on further to elaborate that "books of merchants shall be evidence against them no proof to the contrary being admitted."<sup>68</sup> Under such circumstances a business owner had no choice but to know and supervise the work of those under him. "Although the tradition of control by the head of the family was a product of agrarian family patterns and other traits of culture, its survival was also encouraged by the forms of law."<sup>69</sup>

Another outgrowth of both paternalism and the Code was a fear of delegating authority or disseminating information outside the family circle.

The fear of delegating authority helped to prevent the rise of a middle management group. Managers could not be



found by advertising in newspapers or consulting an agency. Sales managers or chief accountants had to be trained from the ranks, and unless they were relatives, the senior partner was unlikely to consult them on policy. This situation persisted.<sup>70</sup>

Cochran recalls an account written by a consultant on graphic arts industry in 1954 when he observed the Puerto Rican situation.

Delegation of Responsibility and Authority appears to be almost unknown. Such a situation is probably inevitable, as a result of the lack of readiness to recognize and encourage initiative and ability displayed by subordinates. It must be broadly stated that improvement of the showings of many of the plants will be seriously restricted until such time as competent, responsible individuals can be placed in certain key positions and can relieve management of the multitudinous tasks now usually shouldered by one man or a very limited group.<sup>71</sup>

c) Cultural traits such as dignidad add to the problems of supervision and industrial discipline.<sup>72</sup>

As was mentioned above, owners find the situation of dealing with workers a major negative incentive for not going into industry. Worker and owner both experience many situations in the normal manufacturing work situation which contravene the values and life-style of a Puerto Rican.

Puerto Rican culture may have made workers more resistant to factory discipline than were North Americans. Being compelled to report for work at a certain minute, to do so six days a week, and to be completely obedient to a supervisor are perhaps contrary to all adult dignity, and especially to those with a strong Latin American sense of personal dignity referred to as dignidad. The facts



indicate that workers frequently quit their jobs after being reprimanded for lateness, absence, or poor work.<sup>73</sup>

When asked about what qualities go into making a good supervisor, the workers responded that courtesy and consideration were most important. Many expressed their preference for supervisors from the mainland.

d) Too little interest in technological innovation perpetuates inefficient methods of production.<sup>74</sup>

Many attribute lack of technological innovation to the cultural bias against change and preference for traditional modes of production. The evidence suggests that increased mechanization, given the small size of the market, would be wasteful use of machinery or that full production capacity might glut the market. The implementation of machinery, of course, varies from one industry to another; but generally the use of technology in Puerto Rico has been guided by a rational assessment of the limitations of the potential market.

e) The type of individualism in the culture has checked mergers among competitors.<sup>75</sup>

Again the lack of mergers has to do with the nature of the market and the nature of the family business.<sup>76</sup> The market in Puerto Rico is small. Extreme competition is at the expense of other competitors and consumers. The smallness of the market and the lack of capital also deter mergers. One exception has been the growth of supermarkets, but such innovations have had government support and backing.<sup>77</sup>







#### D. CONCLUSIONS

Cochran concludes that a mixture of tradition and innovation have produced a new breed of businessmen.

The long-run effects of these early attitudes were hard to overcome. Even in 1955 men who talked the language of North American business in the office might cling to Spanish customs in the home. For these people, keeping the home Spanish was a way of preserving their inherited culture, at the expense of a somewhat split personality.<sup>78</sup>

The survival of the extended family unit as the basic institution in society and its surprising viability and vigor within the 20th century market place points to the possibility that both achievement and ascription may be necessary pre-requisites for business leadership, not unlike the Fords and Rockefellers of the mainland.

Summarizing the situation with an ironical twist, Cochran proposes that:

In fact, a contrary thesis could be argued, that Puerto Rican business generally adhered to its traditional forms and expanded or modified them when forced by technological pressures without conscious copying of mainland models.<sup>79</sup>

#### E. CRITIQUE

Cochran's study is a milestone in Latin American research in that it is an empirical investigation whose conclusions provide a basis for substantiating or rejecting commonly held notions about business and development in Latin America. Basically, the evidence shows that



contrary to the belief that it is tradition holding Puerto Rican's back, the nature of the culture as it exists today is a very viable response to both geographic and economic conditions which dilimit the boundaries for doing business.

The family remains the basic and stabilizing institution in society. Family, now, more so than ever, gives an individual his social status, rather than job occupation. Family plays a key role in business in which both achievement and ascriptive roles are emerging as requirements for conducting business successfully. The upper class and government do not hinder those interested in entering the business field; however, barriers do exist in the everyday attitudes toward business.

Such things as a dignified life-style and dignidad do affect the ease with which the industrial work situation can be approached both for worker and employee. The difficulty of facing the functional role relationships without personalizing it poses one of the more difficult barriers in the business fields.

The viability of the family business and other such cultural adaptations to the machine-age points out the probability that industry and technology do not necessarily follow a single evolutionary line.

#### IV. Tomás R. Fillol: Social Factors in Economic Development, 1961.

The position of Fillol, M.I.T. trained, represents a synthesis of the "ideology of development" and elite analysis. He bases his position on the premise that barriers to economic development are social and cultural more than economic.



"Our theory is that unless the nation's social development is simultaneously fostered, economic gains achieved during one period will be largely wiped out in a following one by social or political dislocation. In other words, economic measures will be responsible for the creation of an economic environment sound enough to permit enterprising people to successfully carry out activities conducive to the nation's long-run progress. But unless such people exist in the first place; unless they are accepted, encouraged, and rewarded by other members of the society; unless the community is prepared to cooperate with them, steady economic development cannot take place. Social development is therefore indispensable to insure continuity of economic development through time.<sup>80</sup>

#### A. PERSONALITY PROFILE

Fillol proposes that in Argentine society ( and by extrapolation in Latin America) one can identify a basic personality which is "the crucial factor limiting the possibilities of steady, longrun economic development."<sup>81</sup> The basic characteristics are described as passivity and apathy. The personality profile is then reflected into the society that Fillol describes as static.

The static aspect of Argentine society has developed into what is called the "Argentine crisis." There is some evidence which points to the fact that this situation "may have developed over the last hundred years or so."<sup>82</sup> Though Fillol passes over the newness of the static nature of the society, one with adoption into the world market. However such a stance would contradict his basic premise that failure to develop





economically is social and not economic.

1. Fate: Some of the cultural traditions of the Spanish culture rely heavily on beliefs in human nature as both good and evil and in fate which have produced deep feelings of distrust and shame instead of guilt so prominent in N.A. culture. Fillol proposes that "These traits help to explain why individuals or whole groups of people tend to blame other individuals or groups for failures or shortcomings for which they themselves have clearly contributed."<sup>83</sup>

These beliefs affect industry in that distrust is observable on many levels whether it involves government and labor or manager and worker. There is little initiative or cooperation. Success is perceived by the average person as a process of waiting, hoping, and the favor of the saints. "Where everything depends on the inevitability of the future events, upon luck, or upon divine intervention, there is no need for active community enterprise."<sup>84</sup>

2. The Present: The belief in fate or the inevitability of the future give a great emphasis to the Present.

"The social and economic implications for a society whose members emphasize Present time is fairly obvious. Such an emphasis is inimical to conscientious planning for the future; to the long-run economic, political, and social commitments; to the emergence of a collective sense of duty---especially the sense of duty to do productive work; or to furthering the interest or, or unselfish co-operation with, a group, an organization, or a community, except as it is to the short-run or at least easily foreseeable advantage of the individual to do so."<sup>85</sup>

Again Fillol relates that the concentration on the present and immediate goals has been strengthened in the last ten years.



3. To Be and not To do: Another value orientation of a Latin American centers on what the person is rather than what he does. This results in a reluctance to give social status to individuals simply because they have economic power.

In our opinion, however, this feature is fundamentally a consequence of the respect the Argentine pays to human personality rather than to human rights, possessions, or accomplishments. Values relating to money, for instance, are generally not those of Protestant capitalism. The possession of money is not by itself honorable or a basis for social recognition. In fact, only very recently have income and wealth been reluctantly accepted as elements to be added to education, religion, conduct, way of life, occupation, family background, and prejudices as determinates of social status. Morally, money is neutral. Even the way in which it is acquired is in itself not subject to serious moral judgement. It is the way in which it is spent that counts.<sup>86</sup>

4. Work: Contempt for manual labor is related to the emphasis on being. This attitude originated with the land owning class who comprised the core of Argentine aristocracy. Ownership of land and workers traditionally has been inherited and not achieved.

"No man in any society can live without the feeling that he has worth. Since the most important factor giving members of the landowning class their status was birth, it was therefore impossible for them to feel that they were the same sort of persons as "the masses," the position to which they were born being merely an accident. Since they had no superior achievement to justify a sense of individual worth, it was essential for them to feel that innately they were different from, and more elevated individuals



than, the uncivilized masses. For the same reasons, the aristocratic elite had necessarily to find all elements of the life-pattern of the middle or low sectors of the population unworthy. They thus looked down---and continue to do so---upon manual work, industry, trading, and to some extent money---especially since their loss of economic power to the rising middle sectors of the population. On the other hand, the sources of aristocratic status were enhanced: landownership, family name, ancestry, education, and to a minor extent intellectual and artistic work.<sup>87</sup>

This distaste for manual work was also assumed by the lower class. The values and life-patterns of the upper strata were recognized by the lower strata and accepted as "good."

Too, when a member of the aristocracy decides to earn a living he turns to the professions rather than business. This general acceptance of manual labor, business and industry as demeaning suggests that neither the upper-class nor the upwardly mobile enter into business positions, leaving that sector without leadership or status.

5. Personalismo: Fillol sees personalismo as a two-edged sword. On the one hand the person is accepted for what he is and not what he does. This reinforces the hierarchy of social status and eliminates achievement as a motivating factor for individuals. The second edge of personalismo is the hesitance of any person to delegate power, authority or information. These two traits affect the business and industrial situation.







First, as a result of an emphasis on Being rather than on Doing or Accomplishing, prime stress is placed on, and respect is accorded to, the person, who occupies the office or holds a job or position rather than on the office or position itself; in the same vein, a business or factory tends to be identified with its owner or owning family, rather than viewed as a collective, impersonal organization. Second, and conversely, since it is not the job or office that is the object of respect and value but the person who occupies it, and since, having reached a higher position, his value orientation lead him to assume he is superior to his subordinates, the individual in a position of authority will not be likely to have self-doubts regarding the justification of his authority. He will tend to be more or less autocratic. Furthermore, since his subordinates are inferior, and thus not to be trusted in the performance of their functions, and since any failure or inadequacy in the socially acceptable performance of his job will reflect personally upon himself and his family, he will naturally be reluctant to delegate his authority and responsibilities.<sup>88</sup>

In this situation the subordinate is put in the position of suppressing his anxiety and rage which, of course, involves additional energy consumption. Often times, too, the emotions which can't be directed at their original sources are directed at sanctioned targets as other subordinates, children, or wife. Indirect retaliation might become a pattern of getting back at a supervisor.

This emphasis on being also affects attitudes toward jobs. Since no status is gained from what one does or is negatively affected if the work is manual or industrial, most workers do not identify with their job. Incentives to work harder or to earn promotions are thus



lacking.

6. Family: Family and family name are the source of an individual's status within society. The family is the stabilizing institution in the whole society, and claims the ultimate allegiance from its members.

7. Paternalism: The outgrowth of the agrarian relationship of patron-peon continues today. This dependency relationship has hindered labor from assuming the responsibility and pride necessary, according to Fillol, for economic development.

...the continuous inflow of ambitious immigrants willing to undertake any available job in order to realize their dream of riches; and, in general, the passive value orientation typical of the national character, coupled with Argentina's characteristic drive toward aggression and dependency on superiors, deprived the Argentine labor movement of a steady evolution in which the pride of workmanship and a tradition of responsibility towards the community could have been cultivated.<sup>89</sup>

## 8. IMMIGRATION AND MOBILITY

After the colonization of the Spaniards during the 17th and 18th centuries, the only way of life open to immigrants was tenancy as all the land had been distributed into estancias. Although the immigrants had an adequate standard of living, they had to endure low social status.<sup>90</sup> The majority of immigrants were from Italy or Spain, making cultural compatibility fairly easy. For this and other reasons Fillol holds that immigration has little cultural affect on Argentina.



This topic merits special consideration because, contrary to the opinions of many authors, we believe that immigration has not had a radical influence on the cultural characteristics of the Argentine society, although it has drastically changed the ethnic composition of the population. The ethnic change, moreover, has led the majority of Argentines to believe that their society lacks stability as a result of the imperfect, or as yet incomplete, fusion of its two main elements: the energetic immigrant and the easy going native. We maintain that the reasons for this instability, as well as for the failure of the Argentine society to take the road of steady and dynamic economic advance, must be looked for elsewhere---namely in the cultural characteristics of the whole population ---because of the degree of cultural assimilation of the bulk of the immigrant element into the native society has been great. More specifically, the degree of "goodness of fit" of the two elements' own basic value orientation has been too high to have made a two-way acculturation process necessary.<sup>91</sup>

This has been exhibited by the fact that mobility in the society has taken place in those traditionally sanctioned occupations of the professions rather than in industry or commerce.<sup>92</sup> Because of the economic instability of Argentina and the traditions of landed gentry, the businessmen invest their money in real estate thus reinforcing the old way of life.

Fillol argues that even though Argentina has been described as a highly mobile society, mobility limits itself to an exchange between lower and middle sectors. Economically, the society has been characterized as "open" in that it has given persons the opportunity to advance economically. But Fillol feels that socially and politically







Argentina remains a fairly closed society.

But from the point of view of the attainment of social and---up to the early forties---political power, Argentina can certainly not be described as an open society. It would be fundamentally wrong to assume that because they have held since the mid-forties the control of the economic and political life of the nation, the new commercial and industrial elites are part of Argentina's "upper class," together with the old landowning aristocracy. Certainly, the situation is slowly---and fortunately changing; but, at least as Argentinas themselves see it, the "upper class" is still the nation's old patrician class. Its core has always been made up of the large landowners, particularly of those engaged in stock raising, the estancieros.<sup>93</sup>

Even though the bulk of the new industrialists and entrepreneurs were immigrants (80% by 1900) and many of those from working class backgrounds, it remains questionable as to their ability to introduce change: Once because they have been assimilated or their descendants into the static culture. Or two because the upper class is closed to landed aristocracy. But Fillol also queries whether or not, given all the circumstances: "...may not some Argentines wholeheartedly choose industry as the surest and most plausible way to get ahead in society?"<sup>94</sup>

### C. THE ALTERNATIVE

Fillol reasons that it is not economic, but social and cultural factors which present the barriers to Argentina's (and Latin America's) economic development. To achieve an industrialized and stable economy means the doffing of traditional values and attitudes and the gradual



acceptance of "modern" values and attitudes.

The agent of change in those societies who industrialized first was the middle class, epitomized by its adherence to a Calvinistic doctrine of work, achievement and salvation. Although Fillol argues that it is just this "Protestant ethic" which is lacking in Argentine society, the change agent can not possibly be the middle class.

Vertical social mobility and the rise of the middle sectors may also have had in the past a stabilizing effect upon society. As has been already mentioned, however, we tend not to ascribe too much weight to the influence of the middle sectors in this respect, mainly because they are in themselves unstable, constituting anything but a compact social layer. This commentary also suggests that there is no reason that the value orientations of the middle sector individuals differ greatly from those of the rest of the population. The very lack of class-consciousness, coherence, and concerted political action is enough evidence in this respect. It is therefore clear that a change in the value-orientation profile of society cannot be brought about by the conscious and deliberate choice of the bulk of the Argentine population.<sup>95</sup>

The impetus toward change will be backed by a responsible minority within the society.<sup>96</sup> To Fillol, the leaders of the industrial sector are the logical change agents. This is not only because industry is assuming a more prominent role in society; "...but we believe ...that industry, and only industry, may be capable of supplying the enlightened leadership necessary to bring about the desired transformation."<sup>97</sup> The task of these leaders will be "to eliminate the underlying conditions which produce the objectionable features of today's industrial environment" and to produce "an environment consistent with



the essential requirements of economic and social development."<sup>98</sup>

For Fillol, the achievement of a higher standard of living comes by industrialization and the simultaneous changes in values and attitudes needed to support mechanization. Unfortunately the middle sectors of society can't be counted on for supplying a change in ethics of work and responsibility. And so the task of change-agent falls upon the shoulders of the industrial elite.

### CRITIQUE

Fillol's position represents a good example of the reformulated model of "the ideology of economic development." He still uses the argument that industrialization will bring about a higher standard of living if...The if's represent the additions to the original model.

1. If the passive, apathetic character profile can be changed to a more active, involved personality type similar to that motivated by a Protestant-ethic value system.
2. If a minority in leadership positions, i.e., industrial leaders as a new elite, will initiate change to the more "modern" value system since (1) change won't come from the middle sector and (2) in order to be accepted, change must come from leaders or from authority positions.

Fillol introduced factors into his argument which might serve as a basis of pointing out that his position is simply a rationalization for a deeper dynamic process within Argentine society. Firstly, Fillol argues that the passive/apathetic character profile at the indi-







vidual level is mirrored at the societal level and described as a "static society." It will be recalled from Chapter IV, that Moore argues quite validly that there is no such thing as a static society. It is valid to argue that the degree and intended direction of change differs from one society to another, but change exists in every society.

Secondly, Fillol notes that the "static" quality of the society seems to have entrenched itself, getting progressively worse, during the past 100 years. He relates that before the turn of the century Argentines were quite enterprising. The first railway was built by Argentinians and not by foreigners. But as the world economy began to exist itself into the Argentine market and the balance of payments between exported raw materials and imported manufactured materials drained nation-enterprises, the railway was sold to Britain and went the way of many other enterprises: enterprises which were originally started and built up by Argentinians were only bought out by foreign interests. It was about this time that the "static" nature of the society and the "passive/apathetic character profile began to make itself noticeable.

Given that Argentina has not remained "static" and that the stifling of initiative both nationally and individually occurred at a time of foreign re-entry into the national market, Fillol's interpretation that attitude change and industrialization will bring better living standards might be superficial. If one looks deeper, it could be maintained that the Argentine crisis is a result of and not a cause of being a satellite to the world industrial centers. The question now



becomes one of the possibility of Argentina ever becoming economically independent of her dependent-subordinate position in the world market.

A final issue which Fillol introduces is the role of the elite. Immigration, generally, has not caused a significant change in the national character. This has been argued by some given the "European" flavor of Argentina in relation to the rest of Latin America. But if the structure of the class system is examined more carefully, it appears Fillol has a point.

If class differentiations are made according to three different dimensions, wealth, power, and prestige, it is clear that a degree of mobility is achieved through the acquisition of wealth. But as Fillol relates this type of mobility is limited to the mobility between lower and middle classes, because the important dimension for affording social status in Argentina is prestige; and with prestige comes power and then wealth.

Prestige still remains the possession of the upper class which has remained socially and politically closed. Landowners, descendants of Spanish aristocracy, sons of estancia owners make up this upper class. Another evidence of the persistence of this class division, is that the sons of men who have made fortunes in business and industry do not follow in the footsteps of their economically successful fathers, but are schooled in the traditional manner and usually enter the professions, e.g. lawyer, doctor, etc., which are socially more acceptable.

This presents a couple possibilities. Since the new industrialists are not members of the upper class as such, and since accumulation



of wealth leads to an acceptance of the upper-class values, the possibility of industrialists as "second class elites" making a large impact is slight. Secondly, since the upper-class maintains prestige and power they are in a position to continue to "call the shots" as Cohen suggested. They are able to control the rate of contact with modern technology for the masses and at the same time benefit from a life-style build on Western technology.

V. William H. Form and Albert A. Blum, eds.: Industrial Relations and Social Change in Latin America, 1965.

Form and Blum gathered information by U.S. experts in Latin American business affairs. Here the articles of Moore and McMillan.

A. Wilbert E. Moore: "Backgrounds of Social Change."

Moore takes the position that change is a universal feature of all societies. To accuse some societies of remaining unchanged is to be guilty of what he terms the sociogastic fallacy: i.e., history began yesterday if not this morning. While all societies change the nature of change in the modern era can be characterized by its (1) magnitude, (2) repidity, and (3) deliberateness.

Though there are some general characteristics of industrial change, but these characteristics cannot be seen as functional determinants. Industrial change is always affected by the history of the society, takes place at different rates, and produces different tensions within different societies.

1. Foreign Influence: The industrial development of Latin Ame-





rica has developed its own form, rates and tensions. "In most of Latin America the managers of industrial and commercial enterprise are still disproportionately composed of foreigners or persons of fairly recent Latin American settlement.<sup>99</sup> The foreign composition of those involved industry reflects both the low status of industry within Latin America and the industrial and commercial skills of those migrating to Latin America.

2. Profits: The nature of profit making differs south of the boarder. The "quick buck" instead of a low-price, high volume, in-the-long-run policy is used. As Moore notes: "Although subtle cultural or motivational elements may be involved here, one should not leap to those explanations without giving due credit to the foreshortened time horizons that political instability prompts."<sup>100</sup>

3. Investment: Unlike the reinvestment policy developed in North American industrial development, the quick-buck profits are more likely spend on luxury goods or in land investment. Again this could be attributed to the insecure position of both government and therefore industry in Latin America.

4. Family: The family is an institution which has affected the nature and configuration of industrial growth in South American countries.

"...the narrow and family-based circle of the elite inevitably influence the choice of entrepreneurial personnel and the relations among firms. The degree of nepotism and favoritism, when compared to advanced industrial societies, is scarcely surprising; nor is it automatic.



ally mischievous if indeed the social system limits education and other qualifications to a small segment of the population.<sup>101</sup>

5. Corruption: What to the American mind is a "culture of corruption" as Moore puts it, is a way of life to every Latin American. The incomplete formation of an a-political civil service, the complexity and repressive laws governing industry, the importance of government contracts make bribery the most "rational" means of operation given the circumstances. "The mordida - the bite - is an expressive local term for the surreptitious support of public functionaries."<sup>102</sup> But it should be mentioned that the mordida and similar North American practices are only a matter of degree and not qualitatively divergent.

6. Manager and Worker: Another Latin American unique produce of industrialization is the social distance separating management and worker. "Latin American management stands sharply apart from the rank and file of workers."<sup>103</sup> An attempt to bring Latin American management into line with North American management ("rationalization of managerial selection"<sup>104</sup>) will rely heavily in educational improvement and change in the social order itself.

#### B. Claude McMillan, "Industrial Leaders in Latin America."

The position of business men in Latin America is not secure nor often looked upon positively. The cultural bias against business and industrial endeavors is compounded by the numbers of "foreigners"



participating in business activities leaving it open to more suspicion.

In Latin America business leaders are often viewed with ambivalence, fear and even hatred. Although the burgeoning industry of Latin America is frequently compared with the United States economy of 75 years ago, the popular attitude toward industrial leaders are not comparable. No Horatio Alger heroes exist in Latin America. In fact, the businessmen are frequently caught in the vortex of ideological disputes involving their role in the industrialization process. If ideology is dead in the United States today as Daniel Bell argues, it is still the way of life south of the Rio Grande.<sup>105</sup>

McMillan attributes the low and uncertain social status of industrial leaders to (1) the cultural heritage of Latin America, (2) the prevalent revolutionary mood, (3) and the class origin of the business leaders.

1. Cultural Heritage: Latin America received a heritage of Spanish and Portuguese values and traditions different from the legacy of Britain or France:

"In the non-Latin portion of the hemisphere, colonizing was largely by Britain, France, and other European immigrants who had already begun to acquire the attributes of industrial people. But Spain and Portugal, from which Latin America received its heritage, were still largely feudal, patriarchial, and agriculture."<sup>106</sup>

Though the feudal qualities can be contested, the Iberian traditions have influenced the social values and patterns. A preference for careers in government or the military rather than business or industry do reflect the cultural preference.





2. Revolution: The Latin Americans have accepted a self image as being poor and underdeveloped. Traditionally this image was accepted as being a problem generated internally. But recently the second-man position has been placed on the outside world. As industry has often been associated with foreigners and foreign investment, it has become suspect.

"Ironically this distrust of private industrial leadership occurs at a time when it is performing most commendably. The major industrializing nations of Latin America are at or near Rostow's "take off stage." This stage has been reached largely during the past several decades, and it is traceable largely to private Latin American initiative--not to government or foreign initiative. Yet the very success of private Latin American performance since the depression and more particularly since World War II, has served to sharpen appetites for a vastly accelerated growth and has led to increased impatience with industry's performance.<sup>107</sup>

3. Class Origin: The Latin American management came from middle and upper classes. Middle management comes generally from the middle-sector; and McMillan takes the position that the middle class is volatile and insecure.

"His ideological position on questions not directly related to business and industry rather closely parallels that of other segments of the middle class, but politically he is the least active members. He leaves politics largely to his fellows - the professionals, the intellectuals, the civil servants, and the labor leaders.<sup>108</sup>

In relation to business and industry, middle management is for protection from foreign competition through government action, direct or indirect government subsidy, and is not opposed to government owner-



ship in business or industry.

The middle management position is contrasted with the rising number of wealthy or aristocratic individuals entering industry. These upper-class managers agree with government protection, but do not look with favor on government ownership. "In conformity with tradition, they regard government service as the highest calling, and when they become actively involved in political affairs they defend the interests of the aristocracy more than those of the industrialists."<sup>109</sup>

#### C. SUMMARY

Industrialization in Latin America is affected by the history, values, and traditions of societies in which industry and commerce are getting started. Change cannot be predicted to follow the same patterns as those of Europe or North America, and the rate and sequence of that change will differ from one country to another.

Industry is fighting both a traditional and revolutionary bias in attaining a recognized and stable position within Latin American society, despite its recent history of success.

#### D. CRITIQUE

Both Moore and McMillan paint a clear picture of the uniqueness of Latin American society and of the role of the businessman. However their position that business is still stigmatized as an occupation might not be so true for the upper levels of business as it is for middle management and small business owners. Mosk and Lauterback division



of business types might shed some light on the apparent discrepancies. Perhaps it is only those of the provincial business sectors and those in beginning or innovative industries which bear the stigma of being "businessmen," as described by Moore and McMillan. The old, traditional businessmen, however, according to Cochran, Mosk and Lauterback, seem to fit in with the traditional elite.





# FOOTNOTES

<sup>1</sup>Nevertheless, some of the ideas of the French Revolution did find their way to receptive Latin American ears to become the basis for ideological movements opposed to the external authoritarianism which had long dominated the political thought of that era. It is of some significance that the move for political independence came to most Latin America during a fifty-year period (1775-1825) which also witnessed both the North American and French revolutions. See Gabriel A. Almond and James S. Coleman, The Politics of Developing Areas (Princeton, New Jersey: Princeton University Press, 1960), p. 490.

<sup>2</sup>Daniel Goldrich, Sons of the Establishment: Elite Youth in Panama and Costa Rica (Chicago: Rand McNally and Company, 1966), pp. 2-3.

<sup>3</sup>The vocabulary generated by this theoretical position makes it very difficult to escape the implicit affirmation that non-industrial societies are traditional, inferior, etc. As this position has been dominant in the literature for years, it becomes difficult to re-work new theories without falling back on the terminology which was originally part of the "ideology of economic development" context. It remains for social scientists to agree upon language which is applicable to the phenomenon and not to an ideology.

<sup>4</sup>Sanford A. Mosk, Industrial Revolution in Mexico (Berkeley and Los Angeles: University of California Press, 1954), p. 4.

<sup>5</sup>Idem.

<sup>6</sup>Ibid, p. 12.

<sup>7</sup>Ibid, p. 13.

<sup>8</sup>Ibid, p. 21.

<sup>9</sup>Ibid, p. 22.

<sup>10</sup>Ibid, p. 23.

<sup>11</sup>Ibid, p. 33.

<sup>12</sup>Ibid, p. 27.

<sup>13</sup>Idem.

<sup>14</sup>Ibid, p. 30.



<sup>15</sup>Ibid, p. 33.

<sup>16</sup>Idem.

<sup>17</sup>Ibid, p. 35.

<sup>18</sup>Idem.

<sup>19</sup>Ibid, p. 24.

<sup>20</sup>Idem.

<sup>21</sup>Idem.

<sup>22</sup>Ibid, p. 25.

<sup>23</sup>Idem.

<sup>24</sup>Ibid, p. 27.

<sup>25</sup>Ibid, p. 30.

<sup>26</sup>Ibid, p. 36.

<sup>27</sup>Ibid, p. 37.

<sup>28</sup>Ibid, p. 38.

<sup>29</sup>Ibid, p. 42.

<sup>30</sup>Ibid, p. 44.

<sup>31</sup>Ibid, p. 47.

<sup>32</sup>Ibid, pp. 50-51.

<sup>33</sup>Ibid, p. 263.

<sup>34</sup>Frank Brandenburg, The Making of Modern Mexico (Englewood Cliffs, New Jersey: Prentice-Hall Incorporated, 1964), p. 210. (See Chapter VIII)

<sup>35</sup>William F. Whyte and Allan R. Holmber, Human Problems of United States Enterprises in Latin America (Cornell Conference Report, October, 1957, reprinted in Human Organization, Fall, 1956), p. 34.

<sup>36</sup>Ibid, p. 3.

<sup>37</sup>Idem.



<sup>38</sup>Ibid, p. 4.

<sup>39</sup>Idem.

<sup>40</sup>Ibid, p. 7.

<sup>41</sup>Idem.

<sup>42</sup>Ibid, p. 9.

<sup>43</sup>Ibid, p. 36.

<sup>44</sup>Ibid, p. 9.

<sup>45</sup>Idem.

<sup>46</sup>Ibid, p. 10.

<sup>47</sup>Ibid, p. 11.

<sup>48</sup>Ibid, p. 20.

<sup>49</sup>Ibid, p. 22.

<sup>50</sup>"In the first place, the paternalistic relationship we see in company camps is very expensive to management. Costs may include maintenance of company housing, utilities, sewage, and garbage collection plus an elementary school and medical care - for all of which the workers make only a token payment. All this in addition to the customary fringe benefits." Idem.

<sup>51</sup>Ibid, p. 37.

<sup>52</sup>Thomas C. Cochran, The Puerto-Rican Businessman (Philadelphia: University of Pennsylvania Press, 1959), p. 19.

<sup>53</sup>Ibid, pp. 24-5.

<sup>54</sup>Ibid, p. 64.

<sup>55</sup>Ibid, p. 71.

<sup>56</sup>Idem.

<sup>57</sup>Ibid, pp. 71-2.

<sup>58</sup>Ibid, p. 73.

<sup>59</sup>Ibid, pp. 73-4.





<sup>60</sup>Ibid, p. 74.

<sup>61</sup>Ibid, p. 77.

<sup>62</sup>Idem.

<sup>63</sup>Ibid, p. 79.

<sup>64</sup>Ibid, p. 81.

<sup>65</sup>Ibid, p. 82.

<sup>66</sup>Ibid, p. 84.

<sup>67</sup>Idem.

<sup>68</sup>Ibid, p. 85.

<sup>69</sup>Idem.

<sup>70</sup>Idem.

<sup>71</sup>Ibid, p. 86.

<sup>72</sup>Idem.

<sup>73</sup>Ibid, p. 87.

<sup>74</sup>Idem.

<sup>75</sup>Ibid, pp. 89-90.

<sup>76</sup>Ibid, p. 91.

<sup>77</sup>Ibid, p. 93.

<sup>78</sup>Ibid, p. 142.

<sup>79</sup>Ibid, p. 147.

<sup>80</sup>Tomas R. Fillol, Social Factors in Economic Development: The Argentine Case (Cambridge, Massachusetts: M.I.T. Press, 1961), p. 93.

<sup>81</sup>Ibid, p. 3.

<sup>82</sup>Ibid, p. 22.

<sup>83</sup>Ibid, p. 10.

<sup>84</sup>Ibid, pp. 12-13.



<sup>85</sup>Ibid, p. 14.

<sup>86</sup>Ibid, pp. 15-16.

<sup>87</sup>Ibid, p. 17.

<sup>88</sup>Ibid, p. 19.

<sup>89</sup>Ibid,

<sup>90</sup>Ibid, pp. 27-28.

<sup>91</sup>Ibid, p. 27.

<sup>92</sup>Ibid, p. 29.

<sup>93</sup>Ibid, pp. 30-31.

<sup>94</sup>Ibid, p. 39.

<sup>95</sup>Ibid, p. 44.

<sup>96</sup>"Therefore the possibility of change can only depend upon the presence within the society of a minority group with the necessary ability, desire, knowledge and prestige to plan for such change and to bring it about." Ibid, pp. 74-5.

<sup>97</sup>Ibid, p. 97.

<sup>98</sup>Ibid, p. 99.

<sup>99</sup>William H. Form and Albert A. Slum, eds., Industrial Relations and Social Change in Latin America (Gainesville: University of Florida Press, 1965), p. 7.

<sup>100</sup>Ibid, p. 8.

<sup>101</sup>Idem.

<sup>102</sup>Idem.

<sup>103</sup>Ibid, p. 9.

<sup>104</sup>Idem.

<sup>105</sup>Ibid, p. 27.

<sup>106</sup>Idem.



<sup>107</sup>Ibid, p. 30.

<sup>108</sup>Ibid, p. 31.

<sup>109</sup>Ibid, pp. 32-3.





## CHAPTER VII

### THE LATIN AMERICAN BUSINESS SECTOR: A REVIEW OF THE LITERATURE (Continued)

#### I. Albert Lauterback:

##### A. "GOVERNMENT AND DEVELOPMENT OF MANAGERIAL ATTITUDES IN LATIN AMERICA," 1965.

Lauterbach in both the above article and his book Enterprise in Latin America dealt with below is concerned about the attitudes developing among managers and industrialists in the Latin America. His main point is that: "It is essential to realize that similarities between Latin America and Western or North American management are often superficial".<sup>1</sup> Though visible indicators as office equipment, office arrangements or even terminology may appear the same, behavior differs in relations with employees, customers, competitors, etc.

According to Lauterback three characteristics distinguish Latin American enterprise.

1. The widespread lack of specialization in a definite industry or field of business. The same person, family group, or office frequently administers a variety of enterprises which may range from textile plants and sugar plantations to mines and banks.

2. The interconnection of business and management with family relationships and politics. Managers are frequently selected on the



basis of family links, rather than specialized training. They constantly use political influence in order to get things done or to secure special favors for their companies. A business manager may also put in a short period of service as public administrator or cabinet minister without necessarily discontinuing his interests in private business. Money made through the political medium may go into new or old enterprises and the politics may transform himself into an entrepreneur.

3. The basic mentality concerning the conduct of business, national development needs, and life values in general as they affect business conduct. Managers in Latin America often differ greatly from their colleagues in other parts of the world in this general outlook.<sup>2</sup>

The most prominent finding of the research reveals the continued strength of the family especially in ownership and management of business. There were a few cases in which a family-owned enterprise employed executives outside the family, but usually positions both executive and management were filled by family members. When asked about such strong family participation most viewed it as a good arrangement given the country. Others reported that they had not given any thought to an alternative way of recruitment.

The extended family system produces other unusual characteristics in the functioning of Latin American business.

Another element that emerged from the questions about enterprise structure was the frequent combination of disparate firms within one, usually family-rooted, interest group. (This, of course, is different from building up a multitude of related firms for tax reasons). The same



individuals or family might hold a dominating interest in a coffee plantation, textile mill, construction firm, export business, and bank, for example. In most cases no economic link existed between the activities of these firms other than the fact that they were owned or controlled by the same people and shared their financial resources, and they were all concretely or vaguely expected to be profitable.<sup>3</sup>

To summarize, Lauterback found that Latin American business is still dominated by family business which often take the form of a myriad of unrelated, profitable business investments. Specialization has yet to develop, if ever. And the attitude toward business differs markedly from European or North American ways of doing business

B. ENTERPRISE IN LATIN AMERICA, BUSINESS ATTITUDES IN A DEVELOPING ECONOMY, 1966.

In an extension of his initial study, Lauterback explicates some of his original findings concerning business attitudes of Latin Americans. He emphasises, as most North American writers do, the influence of Indian and Iberian influences with varying admixtures depending on the country's history. The combination of these attitudes and values have produced a definite world view in which the businessman operates.

The resulting atmosphere is characterized by strong needs for high social status. These needs reflect partly the strict, though different, social hierarchies in Iberian and Indian societies, and the additional desire of businessmen to be clearly differentiated from the low-status, sometimes Indian or Negro groups in their society. The per-







sonality formation of the upper or middle-class child is usually dominated by such status factors or needs of his family. If he becomes a businessman or enterprise manager, he will continue to be dominated by such influences in his entire way of life, including daily decisions in the company.<sup>4</sup>

The relationship of individual and family to business alters how the individual conceives business. Business is not viewed as an impersonal activity a la "Economic man." Maximizing profits, input and output do not occupy the total consciousness of business in Latin America. Rather business is considered "an extension of his family's drive for social status."<sup>5</sup> As has been emphasized so strongly again and again, the family is the hub of business activity.

The family supplies his financial contacts, perhaps his initial job, and the links to influential politicians and bureaucrats without which it is impossible to get business transactions done. In a small economy where "everybody knows everybody" and where taxes, import permits, licenses, and government orders often dependent on personal contacts and pull---even when there is no corruption in a crude sense---the social standing of the businessman and his family are of decisive importance.<sup>6</sup>

If an individual or family of the middle class wants to attain a higher position, government positions provide not only capital but also contacts for any future business venture. Such attitudes are probably partly responsible for the failure of most governments to form a non-partisan civil service.

1. The Iberian Legacy. Although Lauterback reports that the influence of traditions handed down are weakening they still maintain a



strong psychological hold on the individual. The traditional role of government as both provider and as an institution to be feared is clearly seen in businessmen's support of tariffs and fear of government ownership. Some respondents often disregarded even their national tendencies and viewed themselves as one Latin America, an independent New Spain.

In other words, many interviewees assumed without any empirical evidence at their disposal that other Latin Americans were just like the people of their own country, and then answered the question in terms of important differences between Latin Americans on the one hand and Europeans, North Americans, and everyone else on the other.<sup>7</sup>

a) Time. The concept of time and the way it is valued differs in Latin America from most clock-punching countries. The value of the gentleman's life style and the "good life" makes man the master of time and not time the master of man.

Where leisure, contemplation, or merely an unhurried way of going about things and avoidance of worry about the future represents prominent values in life, regular split-second decisions or rigid datelines, even for loan payments may be at odds with cultural assumptions. In fact, they may even be incompatible with the personal touch and the informal utilization of political or family contacts which have traditionally been essential in the conduct of business in these countries.<sup>8</sup>

It was found that first or second generation executives usually from European backgrounds usually approximated the managerial standards of more developed countries than did their "old-stock" competitors. These businessmen often expressed feelings of bewilderment and exasper-



ation in relation to dealing with the "native" Latin American businessman.<sup>9</sup>

b) Paternalism. The paternalistic attitudes are weakening in Latin America, but are still prominent more so in the least developed areas.<sup>10</sup> Attitudes of paternalism seem to be found more frequently in managerial ranks than in the worker ranks. One respondent in Mexico reported that in certain cases the state tends to be even more paternalistic than private enterprise.<sup>11</sup>

c) Justice and Loyalty. Justice and loyalty are both influenced by what has previously defined as personalism. Emphasis on the individual and/or family make it difficult to develop a societal justice or loyalty. One Mexican industrial manager complained: "Customs are different here from Europe. The cultural stages differ, especially consciousness of production. We need a Christian spirit of justice."<sup>12</sup> Another commercial manager in Mexico asserted "that Mexicans have no loyalty toward a company or group merely toward a leader."<sup>13</sup> This results in salesmen following a sales manager from one company to another which doesn't aid a struggling corporation.

2. Managerial Aims. The Mexican industrialistic or entrepreneur openly admits that business is not simply a dollar and cents operation. Like everything else in Mexico the aims of business are enmeshed in the web of family, traditions, and culture. One Mexican industrialist discussed how he viewed himself and industry in Mexico:







"My purpose is to work, to create new industry, and, through it, a higher standard of living. Not just money. If a business is well planned, profit will come anyway. If I wanted nothing but money I'd just be a money-lender and charge crazy interest rates.<sup>14</sup>

Another Mexican industrial manager relates that industry has taken on more than the role of producer. Industry also accepts responsibility for the workers. Many see this position as a modern patron-peon relationship.

"It is the social aspect of industrial relations that matters most here. We have long been supplying food, transportation, housing, schools and stores to our workers and they share the gains of the company.<sup>15</sup>

As with Mosk and Brandenburg, Lauterback identifies three distinct groups of businessmen in Mexico, but on the basis of attitudes.

- (1) The first faces no risk regarding the demand for his product. He normally can plan his investment regardless, for example, in the production of beer and bottles. His opinions on development have effective channels to express themselves politically. The development of these companies is tuned to national development and they can wait, even absorb losses or else pass them on to the State. This applies chiefly to business in the large centers.<sup>16</sup>
- (2) The second group is that of the beginning entrepreneurs and it is quite different. For them things don't work well yet. They use promoters from the outside, have little resources themselves. They expect immediate profits especially from new products, such



as appliances, in the interest of capital formation, but they also need bank credit or other help. They suffer frequent losses. Much depends for them on government contracts. This group is very promising but has no time yet to think in terms of economic development. The Common Market is vivid in the minds of the first but not the second group. This latter group needs fiscal protection and counseling.<sup>17</sup>

- (3) Third comes the forgotten man. He interprets industry as the improvements of handicrafts. Especially is this true in the provinces. He works for the local market and is interested in local development, has no economic viewpoint. He is fearful of foreign competition. The State can destroy him, too. He thinks more of survival than of profit or investment. This group is very numerous, if you think of tailors or silversmiths, for instance, but it is not important insofar as its total investment is concerned. From it, however, come the best entrepreneurs.<sup>18</sup>

Geographical conditions are extremely important in relation to what kind of a business a person has access to. Monterrey is a highly developed and stable industrial center. The prowess and success of the Monterrey businessmen have given them the name Turcos meaning Turk or foreigner. This demonstrates the belief that successful business endeavors are still seen as foreign to the Latin American culture. Other sections of Mexico are still living as Spanish colonies in a commercial sense. Regional development has been a major problem of



economic development in Mexico.

But all three sectors of the business world view business as more than profit; one industrial manager in Mexico saw it as a way of doing something with life.<sup>19</sup> Many said that money wasn't the yardstick of success because most businessmen had more money than they or their family could spend in a lifetime. Others saw business as carrying on family traditions.

"In summary, the aims of the managers turned out to be only partly financial and more so for their enterprises than for themselves. In a large degree these aims were focused at stability or expansion of the enterprise, the expression of creative urges, or a contribution to social and economic improvement. Company profit as the basis of high individual incomes offered by no means an adequate explanation of managerial satisfactions or discontents. More indirectly, as the basis of company growth, it came somewhat closer to the explanation of such feelings. Even so, a variety of additional factors such as the desire for independence and creativity, the conquest of a challenge, the nature of the managerial job as such, relations with associates and others, and the political and governmental influences must be taken into account in order to understand the managerial attitudes in question.<sup>20</sup>

The Mexican businessman's view of competition also differs from North American views. "Excessive" competition is discouraged and some even go so far as to suggest competition should be restrained by public or private action. The nature of competition, similar to Puerto Rico, is limited by both traditional gentleman's agreements and the size of the market. With few active consumers, Mexican enterprise is severely curtailed in volume. There have been a few attempts to extend consum-







ption but generally most of the population remain outside the market place.

In other words, the prevailing attitude assumed that the minority who constituted an effective market was eager to buy almost anything that was offered, and that this minority would keep increasing in absolute terms, with the constant growth of the population, but that the rest of the people, especially in the countries with large Indian populations, might as well not exist insofar as the national consumers market was concerned.<sup>21</sup>

3. Executive training. Few saw executive training in Latin American business as a formal academic affair requiring a university degree. In some part this is accounted for by a mistrust of "theory" in dealing with practical affairs. Another factor is the scarcity of universities who offer such training. The executive configuration of Latin American business is a family affair and training is handed down as a family heirloom.

"Every company needs an appropriate executive structure. We make people rise within the organization whenever possible; this gives better results. The qualities required are absolute honesty, a sense of responsibility, desire for progress, ability to adapt and get along with people, and 'punch.' Technical knowledge we can track them. Our father taught my brothers and me about this business since we were three years old. Later he made each of us specialize. (my own emphasis)<sup>22</sup>

The family monopoly and the lack of advanced training for executives has left Mexico with no "pool of executives." When executive positions need to be filled, engineers and middle managers are promoted and trained on the job.



The alternative of foreign training has often been considered but results differ.

"Several interviewees thought that technical training abroad in engineering, for example, was very valuable and...unless it was excessively specialized...could readily be applied anywhere. On the other hand, training in "human relations," personnel management, sales methods, perhaps even accounting, if based on experience acquired in dealing with North American or British people, might have few applications in Guatemala or Peru.<sup>23</sup>

Foreign training must be readjusted to fit the local conditions. The bigness, standardization, mechanization and division of executive labor cannot be assumed in a small market enterprise.<sup>24</sup> Others are of the opinion that training in a foreign country is effective only on high levels of management.<sup>25</sup>

4. Summary. Business in Latin America differs from business in North America or Europe. Culture, traditions and the nature of the market combine to produce a unique business world. The family plays a dominant role in business ventures and it is common for one family to direct many divergent enterprises.

The influence of Indian and Iberian cultures affect the manner in which one does business. The concepts of time, loyalty, efficiency, profit or responsibility differ greatly from those north of the border.

Managerial aims are not those of the "economic man" and usually are an expression of a desire to maintain or achieve a good family social status. Motives, other than economic ones, as independence, creativity, nationalism, etc., are components which propel the Mexican bus-



innessman. Though three different business attitudes can be identified within the business sector, most view business as an expression of social dedication as well as a money-making enterprise.

Thus Lauterback sums up:

Our investigation of managerial attitudes toward economic development in Latin America has indicated that these attitudes cannot simply be expected to duplicate sooner or later the mentality of managers in more advanced economies, not even all of the traits during the period when these latter economies according to more recent terminology were still underdeveloped.<sup>26</sup>

### C. CRITIQUE

Lauterback's research strongly points out the distinct and unique character of business enterprises in Latin America. Contrary to what has been accepted by opponents of "the ideology of economic development," his findings support the position that similarities between U.S. and Latin America business enterprises are only superficial; that the underlying aims, goals and attitudes for entering the business field are significantly different; and that Latin American business has developed in an entirely separate way from the pattern in developed nations.

Lauterback identifies the family as the key factor in accounting for the differences. Although other factors have influenced the internal reorganization of society in the machine age, the family has remained the stabilizing factor in response to both internal and external forces.







The continued strength of the family has produced a unique pattern for the organization of business. The introduction of industry and technology strengthened the family ties in that family and business became one resulting in large family interest groups controlling many desperate enterprises. Specialization, within this framework, has remained minimal, and the primacy of family interest has altered the basic mentality from the "economic man" to a person who sees business as an extension of the family.

Lauterback provides clear evidence against "the ideology of economic development" either in its original or altered form (1) in that the business type whether he be of the old or new business elite is not developing according to the pattern set up by developed nations and (2) in that what has been held as traditional, i.e., the extended family, has proven to be a viable alternative form of organization given the culture and the structure of the economic market.

These findings also support and explicate the internal readjustment of the periphery in order to contend, if not compete, with their position in the world economic system. The continued strength of the family represents an third alternative to the developing nations, that "traditional" organization may be more flexible and realistic in facing a process of secondary development, than the plan laid out by the "ideology" of economic development.

## II. Fernando Henrique Cardoso: "The Entrepreneurial Elites of Latin America," 1966.

Diverging from strictly North American theorists, Cardoso repre-



sents one of the leading Latin American social scientists, but his writing coincide somewhat with the previous theorists. He adopts a Weberian definition of entrepreneurial elites as those who "constitute structured or semi-structured control groups formed within the group of individuals who direct modern economic organizations."<sup>27</sup>

Entrepreneurial elites in Latin America have not alligned themselves with the masses as has been predicted by some, but have "linked up to the oligarchies which control property."<sup>28</sup> This results in an amalgam of elites as Cohen<sup>29</sup> predicted.

"On the contrary, the reorganization of Latin American societies reaches a new synthesis through a system of alliances among social groups which ensures the pivotal importance of the elite in the form of the amalgamation of a traditional oligarchy with an entrepreneurial sector."<sup>30</sup>

Cardoso traces the progress of this coalition from the traditional elite who were a landed, agricultural aristocracy to the development of domestic markets and industrialization after independence giving rise to new elites. The new elites accepted the pattern of the aristocratic "excluding" society and a new amalgamated elite took over.

What is affirmed is that traditional elites in Latin America have successfully assimilated industry and its new elite, while maintaining the old hierarchical structure of society.

### CRITIQUE

Cardoso affirms the continued influence and power held by the "traditional" elite and their ability to assimilate or coopt groups which might challenge their authority. His description of the develop-



of elites presents a picture of a very flexible upper-class in which new threatening elements are absorbed, but the values, attitude, prestige and power of the ruling class remain in tact.

Thus, the new elites which have grown up at various times never overthrow the older group but are assimilated, or as Michels's proposed an amalgamation occurs.

### III. Seymour Lipset: Elites in Latin America, 1967.

Elites in Latin America is a collection of articles about various strategic or functional elites in Latin America. Lipset's introductory chapter and Cardoso's article are relevant to the issue at hand. Lipset defines elite as: "The most general usage refers to those positions in society which are at the summits of the key social structures, i.e., the higher positions in the economy, government, military, politics, religion, mass organizations, education, and the professions,"<sup>31</sup> This definition of elite is similar to Pareto's broader definition of elite and Keller's definition of strategic elites.

Lipset maintains that elite analysis is "an alternative perspective to class analysis,"<sup>32</sup> and that the elite position holds that whatever the economic structure of the society there will be a minority elite and a majority non-elite.

In relation to developing countries, the elites play a special role. "It is clear that regardless of differences in social systems, one of the requisites for development is a competent elite, motivated to modernize their society."<sup>33</sup> Lipset's recognition of the role of





elites differs from the position of the 1940's when independence and education were seen as the most important factors in the development process.

The commonly used theoretical framework of North Americans sociologists studying Latin America is the Parsonian approach. Lipset describes how Parsons would characterized society in Latin America.

The Latin American system has been identified by Parsons as an example of the particularistic ascriptive pattern. Such a system tends to be focused around kinship and local community and to de-emphasize the need for powerful and legitimate large centers of authority such as the state. Given a weak achievement orientation, such systems see work as a necessary evil. Morality converges around the traditionalistic acceptance of received standards and arguments. There is an emphasis on expressive rather than instrumental behavior. There is little concern with expressive freedom. Such systems also tend to emphasize diffuseness and elitism. The status conferred by one position tends to be accorded in all situations. Thus if one plays one elite role, he is respected generally."<sup>34</sup>

The universalistic-achievement pattern emerged from feudal societies primarily in the middle sectors of Europe and North America. In Latin America, however, such has not been the case.

"Rather than considering themselves a new" middle class, "these newly successful groups have come to share, with the descendants of the old landed gentry, an aristocratic set of ideals and patterns of behavior which they have inherited from the nobility...."<sup>35</sup>

An inherited value which has affected the progress of economic change is what Gilberto Freyre has called "The Gentleman Complex," that



is a dislike of manual labor in any form. This bias against manual labor or those activities associated with it has affected the entire configuration of the economy. "The institutions and value system of the upper class affect the ideology of change, the entry of foreign capital into the country, the encouragement and development of appropriate skills, and other acts facilitating economic growth."<sup>36</sup>

#### A. BUSINESS

The influence of the aristocratic values and traditional beliefs have set the Latin American businessman apart in the world market. Lipset compares Latin America and North America businessmen by listing the Latin American traits.

1. More interested in inner worth and personal justification than the opinion of peers.
2. Unwilling to put personal authority under group decisions.
3. Dislike of impersonal arrangements.
4. Values prestige over money.
5. Disinterested in science and technology.<sup>37</sup>

In going through the process of doing business, the Latin American businessman also carries on political or family affairs during office hours. Politics, family, and business are not compartmentalized activities.

"Most analysts of Latin American business behavior agree that the principal concern of the typical entrepreneur is to maintain family prestige; thus he is reluctant to give up the family-owned and -managed type of corporation."<sup>38</sup>



The attitude toward risk-taking, which has been defined as a key component of entrepreneurship<sup>39</sup>, is described as lacking among a majority of businessmen: "investment is a luxury which only those in wealthy nations can afford."<sup>40</sup> Competition in a small market system is necessarily different from the world-market competition.

"The impact of Latin American orientations to entrepreneurial behavior has been summed up in the following terms:

Comparatively the Latin American complex: 1) sacrifices rigorous economically directed effort or profit maximization to family interest; 2) places social and personal emotional interests ahead of business obligations; 3) impedes mergers and other changes in ownership desirable for higher technological efficiency and better adjustment markets; 4) fosters nepotism to a degree harmful to continuously able top-management; 5) hinders the building up of competent and cooperative middle managers; 6) makes managers and workers less amenable to constructive criticism; 7) creates barriers of disinterest in the flow of technological communication; and 8) lessens the urge for expansion and risk-taking.<sup>41</sup>

The extreme contrast between the businessman from the U.S. and Latin America should not overshadow the difference between the Latin American businessman and his society. As Lipset points out, "Latin American entrepreneurs, particularly those involved in large-scale enterprise, tend to be carriers of 'modern' values."<sup>42</sup>

## 8. THE DEVIANT APPROACH

An approach taken by some theorists emphasize that those who introduce change into a society are viewed, at least in relation to trad-





itional elites, as deviants.

"The logic of value analysis would imply that the creation or expansion of roles which are not socially approved in terms of traditional values, should be introduced by social 'deviants.'"

This hypothesis is basic to much of the literature dealing with the rise of the businessman in different traditional societies.<sup>43</sup>

Much of the creative role of the deviant has been cast in the role of "marginal man," those living outside the culture in which they find themselves and who are thus less committed to the values of the larger society. The lower prestige of technical and industrial schools vs. the high prestige of art and law in Latin America is reflected in recruitment patterns. Immigrants and sons of immigrants show as high as 90%<sup>44</sup> of the technical school enrollment. This is also reflected in business where immigrants are found in business enterprise. In Mexico alone three quarters of those involved in business and industry are immigrants or descendants of immigrants.

But as Lipset remarks, the deviant perspective viewed by a Weberian yields different results:

"The Key issue, as Weber indicated, is the value system of the various systems involved. Latin America and some other less developed traditional societies are not so vulnerable to economic cultural 'deviants' because the predominant values of the host culture are in large measure antithetical to rational entrepreneurial orientations. Where national values support economic development, the Weberian emphasis on value would suggest that the innovating business elite would be drawn not from deviants but rather from the "in-group," from persons with socially privileged backgrounds.<sup>45</sup>



What clearly emerges is the deviant approach does not apply in many cases. In England, the Catholic minority hasn't emerged as innovators but it has been the English majority. The success of Anglos in Latin America might not be attributed to their marginality or deviance as such, but to their continued commitment to their ancestral national culture. As Fillol has shown, the assimilation of immigrants also reflects a change in values to approximate traditional values.

What has even happened in some cases is that: "Innovations which are associated with socially marginal groups are extremely vulnerable to political attack from those who would maintain traditional values."<sup>46</sup> Innovation is often more successful when introduced by an internal core group than by outsiders.

Another aspect of innivation deals with dual orientations. Even though "bureaucratic corporate enterprise has a logic of its own."<sup>47</sup>

Many individuals caught in between the modern bureaucracy and the traditional world, develop a special split personality.

He (Cardoso) points out that the rapidity of the adjustment to modern orientations depends on the attitudes of the entrepreneurs involved. And the same individuals and companies often react in what appear to be contradictory ways. These dual orientations, modern and traditional, reflect in part the character of the Brazilian economy, which may still be characterized as incipient industrial capitalism. The heterogeneity of entrepreneurial environments and orientations has, as yet, prevented the emergence of a consistent ideology to which most adhere.<sup>48</sup>



The Japanese case has pointed to the possibility that it is not so much a question of creating new values as it is one of the degree to which traditional values can be employed to support modernization.

Thus Lipset concludes:

Thus it would appear that modernizing societies require either strong values or rules sustaining achievement and universalism. They need not reject their traditional value system if they can work out mechanisms to guarantee that a large section of the elite will be composed of men who are highly motivated and able to achieve.<sup>45</sup>

C. Fernando Cardoso, "THE INDUSTRIAL ELITE"

Cardoso agrees with Moore that most analysis of Latin American development fail to include the important historical dimension. "...the interpretations fail to account for the structural and historical differences that entrepreneurial activity has taken in Latin America; nor do they explain the limitations of that sector as a pressure group and a political force."<sup>50</sup> The structure of the Latin American market was not created or formed by the entrepreneurs in the Latin American countries, but the market system they entered into was already solidified historically into world market system.

"Economically, the basic features of production and marketing appear to be laid down a priori by the already developed economies (technology, trading methods, type of enterprise, etc.). Socially, the entrepreneurs find themselves confronted by other component groups of the industrial community who bring pressure to bear to restrict industry's freedom of action, whether directly or through the state.





Politically, the expansion of the market and the adoption of a policy of industrial development have ceased being the nation's main goal. Instead the central government is concerned with ending the domination of large landowners and in securing international agreements to advance the industrialization of the country - something which usually encounters the opposition of the big international combines and of the nations which dominate the world stage.<sup>51</sup>

According to Cardoso, the a priori structure of the marketing and production system also affects the way in which the entrepreneurs operate within the society. Their role then is not so much one of innovator or initiator but one of adaptation and flexibility within the social and economic system.

The typical entrepreneur in underdeveloped countries is no longer merely an industrialist striving to introduce new manufacturing or marketing methods so as to increase profits (a process which has its limits, owing to the state of technological subordination in which the entrepreneurs in the underdeveloped countries are placed), but a man with the ability to steer his activity in such a way that he can benefit from the social and economic changes.<sup>52</sup>

Other difficulties involved in evaluating the progress of entrepreneurial activity relate to problems of situations in which the entrepreneurs' activities are more advanced than the workers productive system or problems of different types of entrepreneurs initiating the process of industrialization.

To emphasize the latter point, Cardoso proposes a typology of entrepreneurs based on orientation: (1) to society as a whole (S =



society); and (2) their individual enterprise (E = enterprise).

1. S - , E - : The speculating entrepreneur. His prosperity is based on bold strokes, the manipulation of stocks, opposition to the tendency for wages to rise.
2. S - , E + : The "puritan" entrepreneur. He is inclined to introduce more rational methods within the individual enterprise. This group includes the "captains of industry" some of whom began as old style mastercraftmen.
3. S + , E - : The progressive but speculating entrepreneur. He manipulates the tax system and trade machinery of the state. He accumulates capital by more or less fraudulent maneuvers, but has no plan to introduce technical improvements in industry, or in manipulating factory wages. His main effort is directed toward winning himself a place in a kind of independent system of economic development which will work to his own advantage.
4. S + , E + : The modern entrepreneur. He is interested in planning at the community level. The Rationalization and introduction of bureaucratic methods at the level of enterprise is one of his aims.<sup>53</sup>

If one divides the four typology according to enterprise or community, Cardoso states that both groupings fit into a historical sequence: " 'founders of Enterprise' precede the 'organizers of enter-



prise."<sup>54</sup> The historical sequence followed in the developed countries supports Cardoso's typology, but he points out that it does not hold for developing nations and is mitigated by two main factors:

- a) the presence of foreign capital, which may be employed from the very outset among the general group of "organizers of enterprise."
- b) the creation of industrial complexes based on initial technical requirement of extreme rationality and bureaucratic structure.<sup>55</sup>

The conclusion reached from the fact that historical sequences have been altered in developing countries is that level of development cannot simply be inferred from types of entrepreneurs, "but from the interaction of the different sectors in the industrial system."<sup>56</sup>

The entrepreneurs from the beginning were in marginal politico-social situation when other social forces (middle class, traditional exporting class and even the masses) had occupied the Key political positions. The entrepreneur groups have been caught between the masses on the one side and the traditional leaders on the other.

The predicted role of entrepreneur as innovator has been curtailed by both history and structure of the world market. The change - agent role of the business and industrial sectors has been changed from one of taking over traditional leadership to that of assimilation into the dominant classes.

"The general theory underlying these questions is that the traditional dominant classes can be permeated by the effects of social change. It would be an





oversimplification to suppose that the entrepreneur groups represent "modernity" and that their alliance with the lower class pressure groups is therefore natural, and sufficient to alter the traditional balance. On the contrary, the history of Latin America demonstrates the flexibility of "traditional society." Consequently, the theme of the "traditional classes" has to be considered in the analysis of development which does not start from the preconception that the progressive industrial groups can alone, or in alliance with popular pressure, break up the traditional framework of society and redirect development in such a way as to secure a better distribution of income, greater economic dynamism, and a fuller participation of the masses in the national political and economic decisions.<sup>57</sup>

According to Cardoso, Latin America tends to perpetuate similar standards to those prevalent during industrialization of the old European countries: i.e., an aristocratic type of society. Linked with this are the similar types of educational patterns: 1) dominance of classical teaching and emphasis on the liberal professions. 2) little emphasis on industry related subjects, 3) classical education as the background of the entrepreneurs.

This Cardoso concludes:

The permeability of the traditional dominant classes and the special circumstances in which the industrialization is taking place in Latin America, make it difficult, if not impossible, for industrialists and businessmen to play the same dynamic role that they have sometimes taken up elsewhere in the development of capitalism and the formation of an industrial society. At the same time it would seem that the explanation of the mentality, values, ideology, and course of action of Latin



American entrepreneurs, both as directors of firms and when organized into a social class, requires analyses in terms of two sources of variation: the practical factors - ambiguous and sometimes contradictory - which determine the market conditions; and secondly the pressures and demands of society.<sup>58</sup>

#### D. CRITIQUE

Both articles by Lipset and Cardoso present evidence against the "ideology of economic development. Lipset does a satisfactory job, despite his persistence in maintaining that Latin America is feudal and traditional, in making a case for looking at Latin American development as modernizing successfully without adopting the universal - achievement orientation.

Two of Lipset's points deserve repeating here in light of the evaluation of the ideology of economic development. The first point relates to his criticism of the deviance approach. Rather than a new deviant elite bringing modern ideas and technology rising up to challenge the traditional elite, Lipset argues, quite in line with the event of the last decade, that these new elite, "marginal men," don't find sympathy in any sector of Latin America society. They threaten the existing elite and thus evoke their disfavor; and the modern innovations that the new elite promise to introduce, are identified with foreigners and foreign intervention which elicits disfavor from the masses. Thus the "traditional" elite don't have to do much to discredit their rivals in the eyes of the masses. It also leaves the elite in power in a



position to channel the rate and amount of innovation as suggested by Cohen.

The second point relates to the first. In that the "old" elite are able to maintain power either through co-option or undermining the credibility of the challenging group, modernizing can take place on the merits of the "strong values." As will be argued in Chapter VIII, those members of the ruling class have assimilated both those groups which threaten their prestige and power and the know-how necessary to insure modernization at least for the upper class and the middle sector.

Cardoso reinforces this stance by pointing to the structural and historical differences in Latin American business which have put the businessman in the role of response-agent rather than change-agent. The business agent finds himself in a market system solidified and created by the industrial nations, and his creativity is utilized not in innovating but manipulating a pre-existent system. This has further implications for the generation of value-systems.

The role of the businessman in the industrialized nations during the initial stages of modernization was that of innovator. He innovated not only in relation to technology but also in relation to life-styles and values, e.g. Benjamin Franklin.

The Latin American businessman has no such luck. He has inherited a total technological system from the industrialized nations on the one hand, and a total cultural system on the other. To reconcile the two is not a matter of simultaneous evolution, but as Cochran





suggested: "business generally adhered to traditional forms and expanded or modified them when forced by technological pressures without conscious copying of mainland models."<sup>59</sup>

IV. Andre G. Frank: Capitalism and Underdevelopment in Latin America, 1967.

Frank addresses the problem of the structure in which the Latin American businessman must operate. As Cardoso has suggested it is both the structure of the world market and the social and cultural impartives which are important in assessing the position of enterprise and industry in Latin America. With Cardoso, Frank agrees that the social scientific theories have as yet satisfactorily accounted for the unique nature of Latin American society, and its relationship to the world capitalistic market.

We must formulate scientific theory capable of encompassing and explaining the nature, contradictions, historical development and underdevelopment of this world-wide process and system as a whole; we must pursue research which is designed and adequate for formulating such theory.<sup>60</sup>

For Frank, the problem of underdevelopment is closely associated with the developed capitalistic countries. "I believe, with Paul Baran, that it is capitalism, both world and national, which produced underdevelopment in the past and which still generates underdevelopment in the present."<sup>61</sup> Such a view alters the way in which the national market is perceived. Most writers have placed heavy emphasis on the high proportion of those who remain outside the actual market system, and



predict brighter business futures if the nation market could be devel-  
oped to include the isolated sectors. What Frank maintains is that  
 these economically non participating sectors are indeed part of the  
 system, though necessarily non-participants.

Even the indigenous peoples of Latin America, whose supposed non-market subsistence economy is so often said to isolate them from national life, find themselves fully integrated into the same capitalistic structure albeit as super-exploited victims of capitalistic internal imperialism. Since they thus are already fully integral parts of the capitalistic system, the all-too-common policy of trying to "integrate" the Latin American Indians into national life through one community development project or another is therefore senseless and condemned to failure. The particular condition of the supposed backwardness of the Indians, far from being due to isolation, must be traced to and understood in terms of the same capitalist system and structure and the particular manifestations of underdevelopment to which they give rise under differing circumstances.<sup>62</sup>

For those who see that the problem of Latin America's underdevelopment is not a feudal problem, but one of being too integrated into the capitalist system, one must also conclude that attempts at extending capitalism and instigating "bourgeoisie democratic revolutions"<sup>63</sup> as disastrous socially, politically, and economically.

The approach used to spell out the "metropolis-satellite" colonial structure is what Frank terms a "colonial approach" which is a complement to class analysis. It aims at discovering and emphasizing the parts of the class structure in developing countries which are unclear. Part of this colonial analysis relies heavily on historical investigation.



A more detailed analysis of the historical process of capitalistic development and the contemporary problems of underdevelopment would have to devote more attention to the specific transformations of the economic and class structure of these underdeveloped countries that were caused by the rise of imperialism in the nineteenth century and its consolidation in the twentieth. Paul Basan suggests that imperialism, far from promoting industrial capitalism, strengthened mercantile capitalism in the underdeveloped countries.<sup>64</sup>

Not only does it become clear that more extensive integration into the world capitalist market would not alleviate the problem, of underdevelopment, it also becomes apparent that the now underdeveloped countries will not and cannot go through the same growth stages as the currently developed countries. "This expectation is entirely contrary to fact and beyond all real and realistically theoretical possibility."<sup>65</sup> Underdevelopment, then, can't be seen as an original or traditional condition of Latin American countries, nor as an historical stage of economic growth. It must be seen as a product of a contradiction-ridden process of capitalistic development.

"My thesis is that these capitalistic contradictions and the historical development of the capitalist system have generated underdevelopment in the peripheral satellites whose economic surplus is expropriated, while generating economic development in the metropolitan centers which appropriate that surplus - and, further, that this process still continues."<sup>66</sup>





## A. THE CAPITALIST CONTRADICTIONS

Frank postulates three major contradictions in the capitalist system:

The three capitalist contradictions of surplus expropriation/appropriation, metropolitan center-peripheral satellite structure, and continuity in change made their appearance in Latin America in the sixteenth century and have characterized that continent ever since.<sup>67</sup>

1. Expropriation/Appropriation of Economic Surplus: Economic surplus is that part of production which is saved and invested. There is also what might be termed "potential" economic surplus which can be a surplus not available to the society because some monopoly structure prevents its production or a surplus appropriated or wasted through luxury consumption. Frank maintains that: "The income differential between high and low income recipients and much of the failure of the former to channel their income into productive investment may also be traced to monopoly."<sup>68</sup> And therefore the lack of investment capital can be traced to the monopoly structure of capitalism.

2. Metropolis-satellite polarization: The development of the polar movements of the metropolitan and satellite sectors in a capitalist system was first introduced by Marx in what he termed the centralization of the capitalist system. The monopolistic control of the metropolitan center expropriates the surplus of the periphery.

Thus the metropolis expropriates economic surplus from its satellite and appropriates it for its own economic development. The satellites remain underdeveloped for lack of access to their own



surplus and as a consequence of the same polarization and exploitative contradictions which the metropolis introduced and maintains in the satellite's domestic economic structure.<sup>69</sup>

It is thus one in the same historical process, capitalism, which simultaneously generates both economic development and structural underdevelopment. This relationship of the metropolis to the satellite permeates the whole world capitalist system.

Moreover, from the world-wide perspective, no country which has been firmly tied to the metropolis as a satellite through incorporation into the world capitalist system has achieved the rank of an economically developed country, except by finally abandoning the capitalist system.<sup>70</sup>

3. Continuity in Change: The third capitalist contradiction Frank speaks of is continuity in change. What he refers to here is that the continuity and ubiquity of the structural essentials of economic development and underdevelopment have continued throughout the extension and progression of the capitalist system at all times and everywhere it is adopted. This has been the case since the fifteenth century.

Thus, like other people and continents, the whole American continent and its people were converted into a series of minor economic constellations, each within their satellites, all of the directly or indirectly dependent on the European metropolitan center - which had shifted to the Low Countries and then to Britain...and thus converted Spain and Portugal themselves into satellites of the British metropolitan center.<sup>71</sup>



## B. INTERNAL METROPOLITAN-SATELLITE STRUCTURES

Frank maintains that the exploitative relationships not only exist between developed and underdeveloped nations, but that the structure of the metropolis-satellite expropriation/appropriation is reiterated within the underdeveloped nation. Thus the urban centers uses the rural areas as a satellite periphery.

Even industries may differentiate themselves into metropolis-satellite roles.

Thus, the relations between one industry and another and also between one firm and another within the same industry can be said to correspond to the metropolis-satellite structure. The technologically advanced sectors or firms have either their own sources of capital or relatively easy access to external capital, and they maintain a monopolistic metropolis-satellite relation with those who lack this technology and capital and which work with more labor-intensive techniques.<sup>72</sup>

Even the process of import substitution, prescribed by some as the first stage of industrialization, only succeeds in drawing nations further in debt to the developed nations. Import substitution refers usually to a specific area of consumer goods. "Evidently, the more domestic import substitute production is limited to consumer goods, though the output of these may rise, the modern equipment and raw materials to produce them are needed and must be imported."<sup>73</sup>

## C. CONCLUSIONS

Given this brief overview of Frank's position on the nature of





underdevelopment it is possible to identify some fundamental processes.

1. Underdevelopment took place under a single dominant form of economic and political organization known as mercantilism, or mercantile capitalism.
2. In each step of capitalist formation organization was concentrated in economic and political power and also social prestige to an extremely high degree to form what is known today as a monopoly.
3. The effect of this system has been widespread, even universal. Even though affects have been different from one group to another, it has produced extreme inequality.<sup>74</sup>

#### D. CRITIQUE

Basically, Frank provides an international framework within which elite analysis of Latin American society becomes more meaningful, historically accurate, and predictive as compared with the reformulated model of the "ideology of economic development" into which elite analysis was introduced.

Historically, since colonization, Latin America has remained a satellite, a hinterland, a metropolis for the various political or economic imperialistic centers. The "development of underdevelopment" resulted from the policies of exploiting the hinterland and appropriating the hinterland surplus to the metropolis. Industry flourished in Latin America before the influx of industry into British Colonies. But the successful endeavors as silk manufacturing, wine making, and text-



iles in the New World were soon squelched as they threatened the motherland industries.

The pattern of exploitation, that of metropolis-hinterland, has continued both externally in relation to the world economic market and internally in relation to the national market. As Mosk related, in 1954, ninety per cent of the population did not participate in the modern market system of Mexico. Thirty per cent of the population, i.e. middle and upper class, were the sole benefactors of the "Permanent Revolution." In 1971 Wilkie in an economic study reaffirmed this finding.

Mosk also substantiated Franks position that those who remain outside the market system are in fact products of that system by his findings that labor fluctuates from the modern industrial sectors to the agricultural sectors according to the needs of the market and the state of the economy.

Frank's basic model of the metropolis vs. hinterland the hinterland provides a good framework for the study of elites in Latin America. The circulation of Latin America elites and their characteristic of flexibility and historical record of co-opting challenging elites, provides an insight into the unique role of elites especially business elites play in Latin American "modernization" and "development."

## V. CONCLUDING REMARKS

This review of recent English literature on Latin American development (1954-1968) comprises a fairly representative sample of what has



been written in the field. A few points become noticeable when reading through these authors' works.

#### A. THEORETICAL OR IDEOLOGICAL PERSPECTIVE

The "ideology of economic development" position is prominent, if not dominant, in the literature. Mosk, contrary to evidence which he himself presents, maintains that the standard of living in Latin America, specifically Mexico, can be raised through the process of industrialization. He goes on to argue that the New Group, a carbon-copy of the North American businessman, will be the change agent in the future (1) to challenge the traditional elite and (2) to bring technology and better living standards to the seventy per cent of the masses currently outside the modern economic system.

Whyte and Holmber, despite their insistence on the need to allow cultural differences within the factory situation, subtly insist that business must be done in the North American way, e.g., promptness, responsibility, specialization, etc. Fillol, as the closest to the ideal-type of the revised model of economic development, also follows a similar line: Industrialization must come through a change in attitude which will be instigated by a minority industrial elite. This industrial elite will represent the embodiment of the secularized Protestant ethic, and lead Argentina into a modern industrialized era.

Two studies which approximate a more empirical approach to the study of business elites in Latin America were made by Lauterbach and Cochran, who are well schooled in the theory or ideology of development.





They admit however, that the empirical data, by and large, do not substantiate the commonly held beliefs about Latin American business as proposed by the development literature. Cochran's research led him to the conclusion that the patterns of doing business in Puerto Rico are not in fact wholly traditional or representative of a stubborn resistance to change, but are rational means of adjusting to the economic and geographical limitations put upon business. Here, Lauterback's interviews also are seen as demonstrating that the business field in Latin America is "a different ball game", with different goals and rules, from business practice in North America.

The positions taken by Lipset, Cardoso and Frank generally adhere to the hinterland-metropolis model, though emphasis varies from author to author. Lipset's main contributions consist of (1) his criticism of the deviant approach to change, i.e., change will not come from marginal sectors (e.g., the New Group), but in line with the emphasis on authority and prestige in Latin American society, change more than likely can only be initiated by the elite "in-group." (2) Industrialization and modernization need not necessarily come from the acceptance of achievement values within a society, but can be generated by strong values and customs within the pre-existing culture.

Cardoso emphasizes the role of the history and structure of the society and the economic system of Latin America. While only hinting at Frank's formulation of the hinterland-metropolis model, Cardoso makes a clear case that the evolution of elites in Latin American society demonstrate the historical flexibility of the ruling class. He points out the unique position of the businessman since he is not in a position



to be an innovator as in the case of the U.S. prototype. He is in a position of response to an economic system imposed upon him from the developed nations.

Frank holds the position that development produced and continues to produce underdevelopment. The periphery is intrinsically related to the metropolis not in a time-sequenced pattern of stage development, but in a relationship of cause and effect.

The Marxian position, as a revolutionary ideology or theory, is significantly absent from the literature. McMillan in passing calls attention to the "current revolutionary tendencies" in Latin America. But no systematic presentation is attempted in most of the English language literature.

What emerges from a discussion of the ideological positions is that relative to the data presented in the literature, the "ideology of economic development" in its original or revised forms, still leaves a lot of loose ends unaccounted for. Most of these "loose ends" fit into the hinterland-metropolis model. In Chapter VIII, this discussion of "ideology of economic development and its "goodness of fit" in relation to the data will be elaborated to a greater extent.

## B. FAMILY

In all the discussions, regardless of ideological or theoretical position, a consensus emerges that the family plays a key role in Latin American society. Family is the major institution providing stability and continuity which is handled by many different and more complex



institutions in other societies.

Family gives the individual his identity and status in Latin American society. Family is the cement of the business world. One family may own many different enterprises, none of which are related, and these enterprises are run by members of the family in their different capacities. This gives a unique flavor to Latin American business in that the specialization becomes a handicap in these extended business ventures and the goals of business are closely connected to the family's maintenance or achievement of social status.

#### C. VALUES

Related to the prominent role of the family in Latin American society, is a system of values which do not correspond with U.S. values. The authors, whether or not they criticized or condoned Latin American values, all identified unique values in that society: personalismo, dignidad, gentleman complex, patrón-peón relationship, sense of time, responsibility or obligation. Both Cochran and Lauterbach presented evidence that such values can be as functional as dysfunctional within the Latin American business sector.

#### D. ELITES

In light of the paternalistic extended family system and the value system in Latin America, it is not difficult to see that elites do have a powerful position in Latin America. Most studies took the role of elites as change agents or inhibitors of change as an obvious part





of Latin American life. Which elite and how become the central questions in relation to theoretical perspective. But no theorist denies the key role of elites in Latin America.

This review of the literature points out the various positions held by theorists when they investigate development in Latin America. Their positions have implications for how the data are interpreted. But there is substantial consensus on the role of the family, the unique value system, and the persistence of elites as characteristics of Latin America which transcends the theoretical biases of the various researchers.



FOOTNOTES

<sup>1</sup>Albert Lauterbach, "Government and Development: Managerial Attitudes in Latin America," Journal of Inter-American Studies, VII (1965), p. 202.

<sup>2</sup>Ibid, pp. 202-3.

<sup>3</sup>Ibid, p. 203.

<sup>4</sup>Albert Lauterbach, *Enterprise in Latin America: Business attitudes in a Developing Economy* (Ithaca, New York: Cornell University Press, 1966), pp. 4-5.

<sup>5</sup>Ibid, p. 5.

<sup>6</sup>Idem.

<sup>7</sup>Ibid, p. 19.

<sup>8</sup>Ibid, pp. 11-12.

<sup>9</sup>Ibid, p. 13.

<sup>10</sup>Ibid, p. 54.

<sup>11</sup>Ibid, pp. 65-6.

<sup>12</sup>Ibid, p. 19.

<sup>13</sup>Ibid, p. 20.

<sup>14</sup>Ibid, p. 43.

<sup>15</sup>Ibid, p. 44.

<sup>16</sup>Ibid, p. 47.

<sup>17</sup>Ibid, pp. 47-8.

<sup>18</sup>Ibid, p. 48.

<sup>19</sup>Ibid, p. 49.

<sup>20</sup>Ibid, p. 56.

<sup>21</sup>Ibid, p. 59-60.



<sup>22</sup>Ibid, p. 28.

<sup>23</sup>Ibid, pp. 38-9.

<sup>24</sup>Ibid, p. 40.

<sup>25</sup>Ibid, p. 41.

<sup>26</sup>Ibid, p. 178.

<sup>27</sup>Fernando Henrique Cardoso, "The Entrepreneurial Elites in Latin America," Studies in Comparative International Development.

<sup>28</sup>Idem.

<sup>29</sup>See Cohen in Chapter IV.

<sup>30</sup>Cardoso, op. cit., p. 147.

<sup>31</sup>Seymour Martin Lipset, ed., Elites in Latin America (New York: Oxford University Press, 1967), p. vii.

<sup>32</sup>Ibid, pp. vii-viii.

<sup>33</sup>Ibid, p. viii.

<sup>34</sup>Ibid, p. 7.

<sup>35</sup>Ibid, p. 10.

<sup>36</sup>Idem.

<sup>37</sup>Ibid, pp. 12-13.

<sup>38</sup>Ibid, p. 13.

<sup>39</sup>Joseph Schumpeter holds that the key aspect to entrepreneurship is the ability to innovate and break the traditiona. Joseph Schumpeter, The Theory of Economic Development (New York: Oxford University Press, 1961).

<sup>40</sup>Ibid, p. 15.

<sup>41</sup>Ibid, p. 16.

<sup>42</sup>Idem.

<sup>43</sup>Ibid, p. 23.

<sup>44</sup>Ibid, p. 27.





<sup>45</sup>Ibid, p. 28.

<sup>46</sup>Ibid, p. 31.

<sup>47</sup>Ibid, p. 33.

<sup>48</sup>Idem.

<sup>49</sup>Ibid, pp. 43-4.

<sup>50</sup>Ibid, p. 94.

<sup>51</sup>Idem.

<sup>52</sup>Ibid, p. 96.

<sup>53</sup>Ibid, p. 97.

<sup>54</sup>Ibid, p. 98.

<sup>55</sup>Idem.

<sup>56</sup>Idem.

<sup>57</sup>Ibid, p. 106.

<sup>58</sup>Idem.

<sup>59</sup>Cochran, op. cit., p. 147.

<sup>60</sup>Andre Gunde Frank, Capitalism and Underdevelopment in Latin America (New York and London: Monthly Review Press, 1967), p. 116.

<sup>61</sup>Ibid, p. vii.

<sup>62</sup>Ibid, p. viii.

<sup>63</sup>Ibid, p. ix-x.

<sup>64</sup>Ibid, p. x.

<sup>65</sup>Ibid, p. xii.

<sup>66</sup>Ibid, p. 3.

<sup>67</sup>Ibid, p. 20.

<sup>68</sup>Ibid, pp. 6-7.

<sup>69</sup>Ibid, p. 9.



<sup>70</sup>Ibid, p. 11.

<sup>71</sup>Ibid, p. 12.

<sup>72</sup>Ibid, pp. 199-200.

<sup>73</sup>Ibid, p. 206.

<sup>74</sup>Ibid, p. 243.



## CHAPTER VIII

### THE IDEOLOGY OF ECONOMIC DEVELOPMENT AND THE CIRCULATION OF ELITES IN LATIN AMERICA

The concluding chapter will deal with the two principal concerns of this paper: the ideology of economic development and the circulation of elites.

Historically, theoretically, and empirically, the "theory of economic development" has failed as a theory to account for the problem complex of Latin America. As an ideology, this stage model has been quite successful in dominating the literature and in supporting and maintaining the subordinate position of Latin American nations.

#### A. SUMMARY AND CRITIQUE OF THE IDEOLOGY OF ECONOMIC DEVELOPMENT

This investigation has intended to critically analyse the "ideology of economic development" as proposed in English-speaking literature. It has been suggested that elite analysis might be helpful in pointing out the weaknesses of the "ideology" by shedding light on some aspects of Latin American's historical development and by helping to reinterpret the attitudes of Latin American businessmen given the historical and structural heritage of the Latin American economy.

It now comes to a point where it is necessary to make explicit what has indirectly been pointed to throughout the preceding chapters. The ideology of development maintains that the achievement of economic





development is arrived at by a transition from traditional society to industrial society through a series of stages. During these stages of development, institutions and attitudes undergo a transformation similar to that experienced by Britain and the U.S.

Upon closer investigation, the history of colonial Latin America gives reason for disagreement with the assumptions included in the ideology of economic development that Latin America is a feudal, static society in a primitive or original state and on the brink of stepping forth into the age of industry and technology. Rather, the state of Latin America's underdevelopment can be seen as one product of the same process that led to the development of the industrialized nations. The existence of hierarchical social structures in the Latin American societies and the beliefs and attitudes supporting this type of social structure must also be re-evaluated in the light of a more historical approach to the problem.

In the following pages, the writer will reassess the "theory of economic development" according to its theoretical validity, its evolutionary position, and its predictive power in the light of some recent investigations into the role of ideology in Latin America.

#### 1. Assessment of the "Ideology of Development" in Relation to Theory:

As both Moore (see Chapter VI) and Cardoso (see Chapter VII) have suggested, much of the misunderstanding which surrounds Latin America's economic, political, and social problems stems from two fallacies which fail to account for the historical and structural dimensions of Latin American society. The first fallacy is the sociologistic fallacy which



maintains that all nations labeled "underdeveloped" must go through similar stages of development without regard to previous histories. This means that Egypt, China, and Mexico will all develop in the same way; and that their level of underdevelopment can be measured economically and technologically regardless of the rise and fall of cultures and traditions within each country previous to industrialization.

The second fallacy is that of functional equilibrium, which holds that the normal state of a system or society is that of equilibrium. Therefore, change and conflict are alien to society, and when change does occur, it is only temporary. Such a view reinforces the positions that (1) underdeveloped nations have always been in a static state of equilibrated underdevelopment, (2) that due to the external stimulation from developed countries who have successfully completed the process of industrialization, those static nations will be moved to change to a higher level of equilibrium of development, and (3) the nation will then return to a state of "developed" rest.

But Moore is quick to point out that change is endemic to any society; it is only the magnitude and intensity of change that might serve to differentiate societies. Change is influenced by history, culture, and even geography. Thus, the patterns of change will differ infinitely from one society to another and even the pattern of change within one country will differ.

## 2. Assessment of the "Ideology" in Relation to its Evolutionary Position:

The "ideology of development" is premised on a conception of the process of evolution as proceeding from a primitive state to a devel-



oped industrial state. Many authors still argue that Latin America has inherited a feudal society from Spain that persists today. But as was argued in Chapter V, the feudal characteristics of Latin American society are quite superficial. The colonization of Latin American society brought with it much more complex changes to both the colonies and to Spain.

Although Spain had not experienced the rapid changes of the Protestant Revolution nor the impact of the Enlightenment, she had gone through other equally consequential changes in the 15th century as Spain was the intellectual center of Europe at that time. Having endured the successive conquests of the Romans, the Moors, and the Christian empire. Spain became a crossroad for cultural exchange and the center of European intellectual innovation. This brought Spain more drastic changes in the feudal system than had been seen in the other parts of Europe prior to that time.

As discussed in Chapter V, Spain underwent a severe reorganization under the rule of Ferdinand and Isabella, and the bureaucratic-patrimonial form of government that replaced the feudal organization of society was then brought to New Spain.

The important point to note here is that no nobility was allowed to develop in the New World. Rather, the grant of an encomienda, was simply the right to use the native labor within a given territory. The Indians retained their independence and the right to their own property. Only those who ruled in the name of the crown held the power of the Crown as bureaucrats, not as nobility, and they were entirely responsible to the King and the Council of the Indies.





Far from being a static society, all Latin America was rapidly transformed into a Spanish colony organized in the form of a bureaucratic-patrimony. In less than 200 years, a network of bureaucracies knitted together a continent larger than Europe. As Foster noted (see Chapter V), the "conquest culture" was assimilated by the inhabitants, not in its entirety, but mixed with the pre-existing culture to produce a "colonial culture" which was in constant flux to keep abreast of changes from conquest, to the mining rush, to the development of urban areas and agricultural pursuits. It was an era of rapid change.

Industry was also developed in the areas of mining and textiles but only that industry which did not harm the homeland industry was allowed to continue.

The mercantilist policy of Spain did not differ originally from that of the mercantilist policies of England or the European Low Lands. True, in actual practice Spain can be held up as the least successful of the mercantilist-imperialist nations, but two important points should be made in regard to Spain's policies which many modern writers have overlooked.

The first point is that the mineral wealth and the large one crop plantations which were Spain's glory also became Spain's downfall. As Haring noted (see Chapter V), geography played an important part in how society was organized in the colonial Americas. The north, settled by the British, was primarily organized around small farms, as that was all the climate and soil could support. On the other hand, in both the



British and Spanish colonies of the south, large plantations of single crops proved more efficient. Even the southern English colonies demonstrated the same hierarchical organization and sophisticated lifestyle of "the gentleman" that was found in New Spain.

The mineral wealth of the Spanish colonies also became a two-edged sword. While England had to be satisfied with producing what was needed for the mainland and the colonies (with the colonies supplying the raw materials), Spain had directed much of the empire's attention to mining the minerals which were so highly valued in Europe. Although Spain always tried to encourage diversification in occupation among the New World colonists, the motivating force for both immigrants and for the Crown was to obtain as much silver and gold as possible.

As a result of the preoccupation with the mining of gold and silver, the infant industries in Spain dwindled due to neglect (see Chapter V). And as industry had never been allowed to grow in the New World in order to protect the home industries, the Spanish Empire was put in a position of being dependent upon other nations for the manufactured goods needed in both Spain and in New Spain. Eventually, therefore, the Spanish bullion ended up in the treasury of the less wealthy, but the more industrialized, nations.

The second point to be made about Spanish mercantilism is that it was a part of the mercantilist movement. Spain had succeeded in creating a bureaucracy which connected every corner of the colonial land and subjected it to the rule of Spain. When Spain lost its dominance to England through the flow of bullion into the English treasury, the colonies weren't freed, but simply transferred to the control of



England; and the policy of exploitation continued indirectly through Spain to England.

When the moves toward independence did come in the 18th century, the nature of imperialism had changed. The Latin American countries, after their many years of colonial status, were unable to break out of their dependent position, as the British colonies of the New World did. The new form of imperialism was "economic imperialism" and the center of power changed from England to the U.S. throughout these changes, Latin America retained her position as a hinterland.

This account concurs with Frank's evaluation: After four centuries of exploitation, is it a wonder that Latin America is "underdeveloped"? However, the state of underdevelopment is far from a primitive or original state maintained by feudal mentality, but it is the result of the mercantilist-capitalistic policies of political and economic imperialism.

Stratification in Latin American society has also been taken as a proof of that society's primitiveness by the proponents of the "theory of economic development." The first process of industrialization in Europe and the U.S. brought with it the break down of the extended family, the influx of rapid social and economic mobility, and a "democratization" of the class structure. However, the hierarchy of class structure in Latin America continues to resemble that of the feudal times: a small oligarchy and large impoverished masses. But to say that these similarities provide an adequate basis for classifying Latin American society as feudal is superficial.

The structure of feudal society consisted of nobility usually





under the unity of a kingdom. Each noble possessed land and serfs who owed allegiance to the noble and only indirectly through the noble did the serf owe any allegiance to the king. In the urban centers, usually the castle, a group of craftsmen formed the small middle-class and were under the protection of the nobleman.

In the New World measures were taken by the Crown to eliminate an independent nobility. Instead the top rung of the social strata was filled by the Spaniards sent to the New World to carry on the Crown's business and to protect the king's interests. The Spaniards occupying these positions were peninsulares, who were born in Spain, who ruled the New World under the authority of the king, and who usually returned to Spain after the duration of their assignment. Their powers were severely circumscribed and often overlapped with other officials providing a unique check and balance system.

The creoles or Spaniards born in the New World played a role similar to Mosca's second stratum. In Chapter II, it was noted that Mosca postulated a more complex ruling class as a result of modernization and the break down of the feudal class structure. It can be reasonably argued that the society developed in New Spain was the first to exhibit signs of this modern innovation. The creoles were excluded from public office, from commerce, and from positions in the bureaucratic patrimony either by law or by precedent. Yet the creoles identified themselves with the ruling peninsulares and helped maintain the divisions between class lines.

As colonial society became more solidified, some creoles became wealthy, while others found it necessary to take up crafts or farming



rather than mining or ranching. Some mestisos were able to pass into the creole ranks by changing their language to Spanish and adopting the Creole life-style. Other mestisos were not so lucky and remained in the agricultural sectors. The Indians were considered the masses along with the mestisos. Though the Indians were under the protection of the Church and the Crown, they provided the labor for the minerals and crops exported to Spain. The Indians under the law of the king were able to retain their land and their independence (this was often violated, but was still subject to punishment). Beal's division of contemporary Mexican society (Figure X) in Chapter IV indicates that this type of class system has continued in modified form into the present.

Though many maintain that the division of society in Latin American society is made upon the basis of race, the evidence as presented in Chapter IV indicates that life-style and language is more deterministic of class than race. An Indian who speaks Spanish and adopts Western clothes is no longer Indian but mestiso.

Mobility, both upward and downward, was quite open in colonial Latin America, especially during the time titles and honors were being sold to the affluent but low prestige creoles and mestisos. The only class which blocked mobility was the upper-crust peninsulares. Access to this group could only be attained by being born in Spain. So during those rapidly changing colonial days, mobility in and out of strata remained as fluid as was the mobility later experienced during the California gold rush days.<sup>1</sup>

The stratification of colonial Latin America can't be described so much as caste or estate in the feudal sense. It is a class system in



which there was mobility for those willing and able to change life style. While Keller's suggestion that mobility is increased due to population increase, territorial expansion, or increased specialization in occupations does apply to colonial and contemporary Latin America, the process of premature closure mentioned by both Keller and Kelner also applies. The fact that the peninsulares and later the creoles catalyzed into groups impenetrable to upward mobility from other sectors of society does not make Latin American society a caste or feudal system, and furthermore does not seem too surprising in the light of Kelner's finding that a core elite continues to persist in a developed country like Canada.

3. Assessment of the "Ideology of Economic Development" in Relation to Recent Findings of a Latin American Social Scientist.

The final re-evaluation of the "ideology of economic development" will be in relation to an article written recently by a Latin American as he views the problem of ideology in relation to Latin American development. Friedmann remarked that if ideology is dead in the United States, it still is vital to Latin America. Vekemans in a recent article has discussed this problem of ideology in relation to Latin America.

The purpose of presenting Vekemans' discussion is not an interest in ideology per se on the part of this writer. The intent in relating the discussion of ideology is to show to what extent the ideology of development has proved inadequate in accounting for the history and structure of Latin American development.





Vekemans agrees with Friedmann, that ideology is necessary to mobilize the Latin American people. "...in order to achieve some kind of stability, it is indispensable for Latin American countries to seek an ideology for their own development"<sup>2</sup> But unlike Friedmann he does not see "the ideology of economic development", which re-lables the "trickle down theory" as a viable alternative for the Latin American people.

Vekemans states that two positions have been prominent among Latin American's since the division of developed vs. underdeveloped has become apparent: (1) change and attack or (2) conservation and defense. The first has been the response of impatience with not sharing in the spoils of industrialism and has found a support in Marxism as an underlying ideology and guerrilla warfare as a plan of action. The other position is what has been referred to as the "trickle down theory." Such a position promotes development in urban centers from which technological innovation and higher standards of living will "trickle down" to the rural sectors of the society. This plan is modeled after development in the industrialized nations.<sup>3</sup> The "trickle down theory" is supported by the major industrial societies including both the U.S. and the U.S.S.R. as demonstrated by their foreign policy and their voting as a block against issues put forth by underdeveloped nations at international conferences.

In 1949 Prebisch put forth a new ideology through the Economic Commission for Latin America referred to as the ECLA ideology of development. This third position supported the integration of the marginal sectors of Latin American society and the building and strengthening of



authentic nation-states. This ideology grew out of the conviction that the problems of Latin Americans could and would be solved by Latin Americans. In an effort to achieve its aims, the countries of Latin America embarked on a program of inward development.

The inward development of Latin American nation-states was seen as an attempt to free the Latin American economy from its status as a peripheral hinterland dependent upon the industrialized nations. The state acted to protect industries through subsidies and import control. By adopting an import substitution model it was hoped that Latin Americans could start enjoying the benefits of industry and technology which has been denied them due to the exploitation by developed areas.

But the ECLA ideology of development backfired and only served to aggravate the degree of dependence experienced by the Latin Americans in regard to the world market system according to Vekemans. Though more industries were brought into existence within the Latin American countries, their need for the materials and machinery to achieve and maintain this industrialization program made them more dependent on the developed nations who held a monopoly on some materials and machines. The few who had been participants in the national market system, i.e., those involved in modern sectors of Latin American society, benefited somewhat from the program of import substitution; but this only served to widen the gap between the haves and the have-nots in the society and did not extend the market system to the periphery. Externally, the control of the developed nations became so great that Vekemans describes it as the power of external strangulation. This power not only derived from an increased dependency for imports from the developed nations, it



was also aggravated by a flight of investment capital and talent (the "brain drain") to the developed countries.

The conclusions derived from this attempt at independence are quite discouraging.

...there does not seem to be any defense against economic imperialism, nor any alternatives: whether it is accepted in order to survive or it is rejected with all the risks involved in a decision of that nature.<sup>4</sup>

Concretely, the results of attempts to industrialize either according to "the ideology of economic development" or the ECLA ideology of development have resulted in increased polarization between the haves and the have nots.

1. First, the manufacturing activities and the exports of underdeveloped regions may have decreased even further, due to their relative inefficiency with respect to the technology and competence of the developed countries.<sup>5</sup>
2. Second, insofar as the developed nations become industrialized in fields which are non-existent in the underdeveloped areas, these will be at a disadvantage, since they will have to acquire manufactured products burdened with new tariffs instead of similar goods previously imported at lower prices (before the imposition of high tariffs on manufactured imports).<sup>6</sup>
3. Finally, entrepreneurs in the developed countries, faced with rising costs of raw materials from the periphery, together with what they perceive as "unreliability" of this area's production, might adopt attitudes ultimately leading to "closing the tap" to the trickling down, with which those areas would remain in much more difficult situation than before.<sup>7</sup>

The further substitution of synthetics for the natural resources





supplied by the periphery might thus increase the serious position in which the nations in Latin America find themselves.

A fourth ideology, proposed by Vekemans, is to be emerging from the despair of facing permanent dependence and exploitation. "According to Felipe Herrera, the creation of a common market is an indispensable condition to solve the economic problems of Latin America."<sup>8</sup> The achievement of the European Common Market and the joint rejection of the U.S. and U.S.S.R. to Latin America's attempts to achieve sufficient economic development has led the Latin American nations to see each other as their own best friends.

Vekemans agrees with Herrera, and sees that the achievement of a Latin American common market must be attained through a joint effort of the masses and elites.

The structure of the internal market system in most Latin American countries has and continued to keep the mass of the people from actively participating in the modern economic market. The growing awareness of the masses that greener pastures do exist has now brought into question the continuing passivity of those masses.<sup>9</sup> The increasing hesitance of developed countries to invest in Latin American enterprises due to the policies of import substitution, not to mention nationalization, has also brought the continuing affluence of the elites into question. Vekemans proposes that the Latin American leaders are becoming conscious that they are now situated between an external metropolis which threatens to cut off aid and imports and the masses who have increasingly become aware of their lowly position and what a share



too. According to Vekemans the solution lies in the consolidation of masses and elites against the external forces.

The marginal sectors would function as a pressure group to accelerate the process of incorporation (into a common market), while the ruling elite would provide the guidelines for action and control the general coordination of development.<sup>10</sup>

How the fourth ideology will fair in trying to achieve a standard of living for Latin America that compares favorably with that of the developed nations is a matter for future consideration, as the plans for a Latin American common market are still in the drawing-board stage. What Vekemans does point out is that the "trickle-down theory" has failed to bring about development as has been promised; and in fact, the dependency of the developing nations has increased, rather than diminished. This is in line with Frank's predictions.

This assessment of the "ideology of economic development" in both its theoretical and empirical aspects has raised serious questions concerning the validity of the theory. It appears to be more of a "political formula" in Mosca's sense of the term (see Chapter II) which is promoted in order to insure the support of the underdeveloped nations in relation to the developed nations, than a plausible plan for attaining a decent standard of living.

This places a high degree of burden upon those social scientists who have committed themselves to the betterment of the periphery. Viable alternatives to the "ideology of economic development" must be proffered and evaluated in terms of concrete results and not "hopes". The role of the social scientist, whether from the U.S. or Latin America



is to investigate theories about proposed plans of action, and not reinforce ideologies which may or may not have relevance to the concrete situation.

Within a broad framework of the metropolis-hinterland model and by incorporating elite analysis into this model, it may prove to be of value to seek an alternative evaluation of the events in Latin America vs. the "ideology of economic development."

#### B. THE CIRCULATION OF ELITES

In all accounts of Latin American history, elites have played a key role in the major events of that continent. In colonial times the Spanish elites directed the establishment of Iberian bureaucratic rule in the New World. In the move for independence, the creole elite rallied the masses. And in modern times, the elites are regarded as the agents of change and modernization or the active inhibitors of change. If one regards the movement or circulation of these elite groups from one era to another, it becomes clearer (1) why Latin America has failed to develop according to the "ideology of economic development" model and (2) why Latin America has generated a unique response to the industrial age.

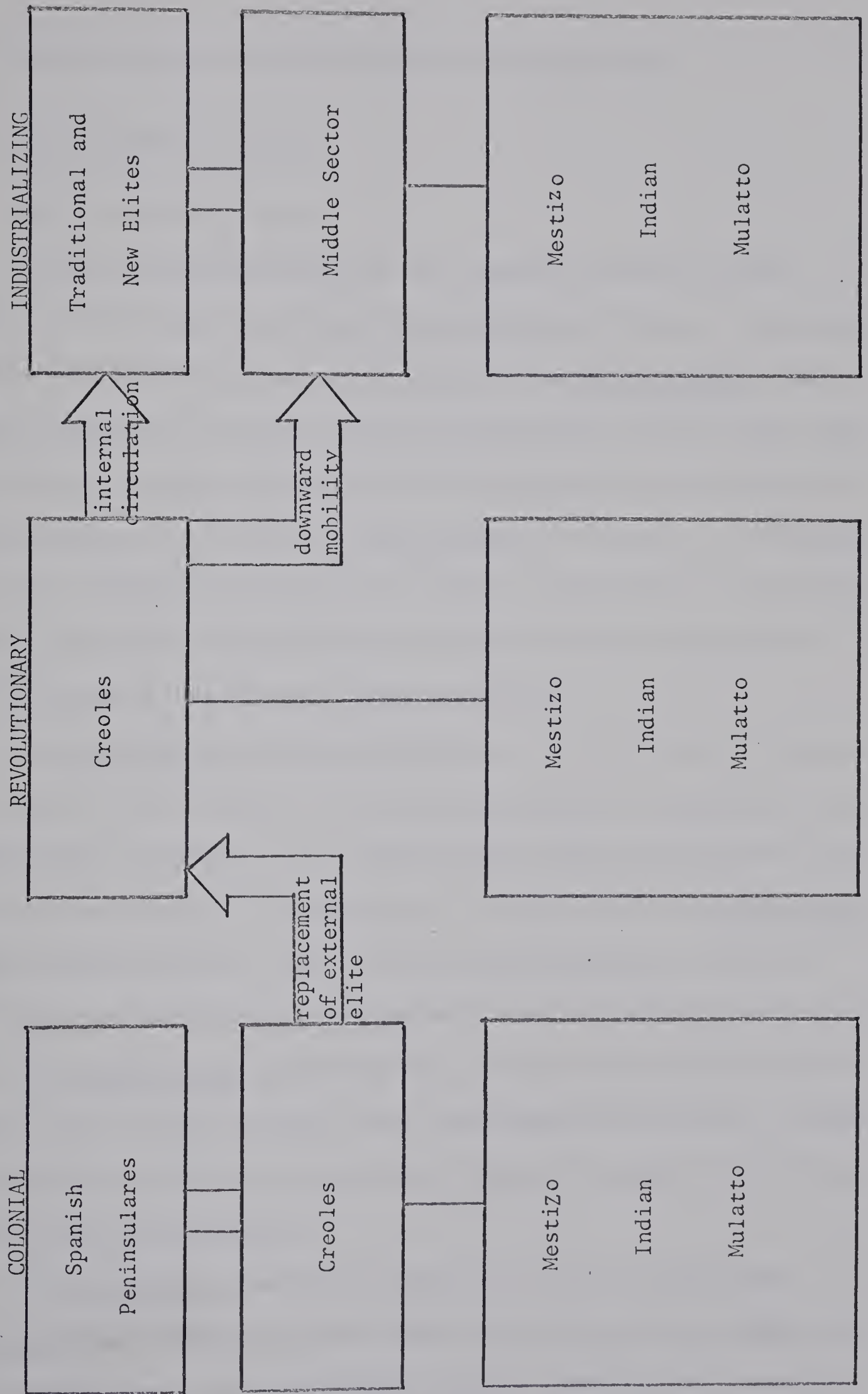
To carry out a discussion of elites in Latin America in reference to elite theory as presented in Chapter II, the author proposes to examine Figure XII from the colonial era, to the revolutionary times, through to the influx of secondary industrial development. Later the discussion will turn to a consideration of the business elite and will





Figure XII

Pattern of Elite Circulation in Latin America





focus upon the Mexican business elite as a case in point.

1. Colonial Latin America

a) The Governing Elite.

Pareto's conceptualization of the governing elite, in part, accounts for the social structure of colonial Latin America. The governing elite of the colonial era was composed of the peninsulares. Their superior position in the New World was derived from the fact that they had been born in Spain. Racial superiority provided the rationale for the superiority of the Spanish or peninsulares in relation to the native population. Pareto's assertion that members of the elite are physically, morally, and intellectually superior coincides with the rationale of racial superiority used by the Iberian conquerors.

The peninsulares as the representatives of the Crown were segregated from any other portion of society by a series of legislation restricting social, political, and economic action both on the part of the Spanish and on the part of the Indians. In every sense the peninsulares were the governing elite. Unlike other times and places, those who could influence politics were designated by law and were an identifiable group. The peninsulares monopolized all political power within colonial America, and as Mosca predicted, they also monopolized prestige. Wealth in the colonial society, as it is today, remains secondary to considerations of power and prestige.

The peninsulares carried on a life-style of the traditional Spanish gentleman while in the New World. Even though he possessed none of the independence that characterized Spanish nobility, as a function-



nary of the crown, he and his family lived in the manner of high status within the colonies.

#### b) The Ruling Class

Distinctions in class became more complex in the colonial era with the emergence of distinct creole and mestizo classes. The division of elite vs. the masses as suggested by Pareto becomes inadequate in face of the complexity. Mosca's theory of the ruling class becomes more relevant to the later colonial era and to the era of independence movements.

Mosca states that inequality is not so much a problem of inherent biological differences, as Pareto held, but that inequality is based on social and cultural advantages. This is demonstrated in the later colonial era. As discussed in Chapter IV, colonial society was composed of a hierarchy of classes: (1) peninsulares, (2) creoles, (3) mestisos, (4) Indians. The peninsulares constituted the real ruling force in the society, but the creoles who were subordinate in prestige and power identified themselves with the peninsulares as being Spanish descendents. Often times the distinction in occupation and income between mestizo and creole was negligible. Yet by associating themselves with the Spanish dignitaries, the creoles defined themselves as being different from the mestisos or Indians. Thus, the divisions in colonial society weren't based on physical, intellectual, or moral superiority, but on social and cultural criteria. This also meant that there was a certain amount of mobility for those who worked long enough at





mastering the culture and societal rules of the next rung up.

The existence of the creoles as a middle group can be explained in terms of what Mosca has called the second stratum. The creole sector of colonial society was put in the position of filling the occupations of tradesmen, professionals, and once in a while land or mine owners. But, by and large, because of the laws circumscribing their activities in the New World, the creoles earned their livings by innovative, trade and professional occupations. As Mosca suggests (see Chapter II), this second strata, the new middle class, comprised of civil servants, managers, white collar workers, scholars and intellectuals, emerges in modern times as a lower stratum of the ruling class. The creoles can be identified as such a group in that they (1) were the second rung of the colonial ruling class and (2) the functions they performed in society are analogous to those mentioned by Mosca. Considering that this class structure emerged in the 17th and 18th centuries, it can be suggested that colonial Latin America was the first society to emerge with a "modern" class structure as described by Mosca.

The ruling class of the late colonial era achieved solidarity socially through the "myth" of racial superiority. Though actual contact between the upper class peninsulares and the second stratum creoles was rare, the two groups acted as a unit in relation to the majority of the population, the masses.

## 2. Revolutionary Latin America

At the time of the Latin American revolutions and independence movements, the rule of the peninsulares gave way to the creoles. The weak-



ening of Spanish power and prestige and wealth lessened the strength and credibility of the Spanish rulers in the New World. The increased taxes and tributes to the Crown in those last decades did not endear the colonists to the King. The creoles organized to form a challenging elite and succeeded in overthrowing the Spanish rule. The second stratum moved up.

It is important to note that the Latin American fight for independence was not a grass-roots phenomenon. It was a revolt of the intelligentsia and the creoles who were fighting for their "rightful" place in Latin American society---on the top. The leaders of the nationalistic movements were not so much interested in freedom and independence in the French sense of the terms, but in the freedom and independence to take over the rule of their countries without the Spanish. This process of elite circulation is reminiscent of Saint-Simon's theory that a change in elites only affects the elite structure and has no effects on the masses.

During this era, the creoles replaced the upper class and left a void where the middle sector or second stratum had been. The importance of the middle class in the U.S. and British industrialization makes it appropriate to compare the roles of the middle sectors in the industrialized nations and in the developing Latin American nations.

The model type of British and the resultant U.S. industrialization has been traced in part to the dominant roles of the middle groups in changing and challenging values and attitudes traditionally held in feudal society. Whether it be the Calvinistic tradition<sup>11</sup> or the guild system<sup>12</sup> which introduced such innovations as competition, the goodness



of work, the practice of saving, the rationalization of commercial operations, the movement initiated by the middle class and its concomitant growth successfully challenged the aristocratic life-style and resulted in the highly industrialized and technological modern societies. The validity of this argument in relation to primary development is not involved here. What is of concern, however, is that the "theory of economic development" has cast the middle sectors of the developing nations (secondary development) in the same role of innovators and challengers of aristocratic values.

But in Latin America the role of the middle sector in changing history has long since past.<sup>13</sup> The middle sector of the colonial era sided with the ruling class. The challenge to Spanish rule was not an ouster of a life-style, but a replacement of personnell who carried on the values and traditions of that previous elite.

The independence movement saw the upward mobility of the creole elite which left the middle sectors vacated. As discussed in Chapter IV, the replacement of the middle sector since the revolution has not been through upward mobility from the Indian and mestizo classes as much as downward mobility from the upper creole elite. This downward circulation has repeated the colonial situation of an upper class with a second stratum.

### 3. "Developing Latin America."

#### a) Strategic elites.

Keller postulated (see Chapter II) that industrialization would





bring an end to the ruling class and the emergence of strategic elites. Strategic elites are functional elites who provide society with leadership in the basic institutions. Persons who fill the positions of strategic elites do so in the capacity of achievement in various roles and such positions have little to do with the personality of the incumbent.

Causes of the break down in the ruling class due to industrialization are identified by Keller as: (1) population growth, (2) occupational specialization, (3) increased formal organization (4) moral diversity. These outgrowths of industrialization make it impossible for the ruling class to compete and the subsequent replacement by strategic elites occurs.

But if this picture is compared with the information gathered about Latin American development, it is clear that Keller's formulation is not adequate. (1) The ruling class has not ceased to exist in spite of industrialization and population growth. (2) Personality still plays a large part in filling positions even within the business field. (3) The family has remained strong as the basic institution and has adapted itself to function in areas normally performed by formal organizations. (4) Occupational specialization takes the form of non-specialization both in line with the diversity necessary to carry out a position in the diversified corporations (family) found in Latin America and in line with the family centered corporation.

#### b) Core Elites.

Kelner's findings that strategic elites do exist but are subject



to a core elite which monopolizes prestige fits the data on Latin America. As Cardoso explained, the "traditional" elite is indeed flexible. While maintaining its continuing exclusiveness, it selectively accepts into its circles innovations and new members necessary to its continued functioning. The middle sector plays both the role of strategic elites and the second stratum.

The "traditional elite" have provided an innovation in response to secondary industrialization: They have created both ascriptive and achievement requirements for the core elite and in this way keep the cultural life-style which is distinctly Latin American while using the technological innovations necessary to maintain their positions of prestige and power.

#### 4. The Mexican Case

Mexico provides an interesting example of the circulation of Latin American elites. Mexico not only underwent the changeover of Spanish elites to creole elites, but the country was involved in a long and bloody revolution at the turn of this century the stated purpose of which was the betterment of the masses. After the victory of the revolutionary forces, the revolution was institutionalized into the "Permanent revolution" some interesting trends have emerged.

The revolutionary leaders have coalesced into what is termed the "revolutionary family" according to Brandenburg. This family consists of three levels: the inner council, the advisors, and the political machine. These levels are arranged in a hierarchy. Though the aim of this 1910 Revolution had been to eliminate the creole elite who



had subjected the masses to the same treatment as the Spanish, the "revolutionary family" were successful in eliminating some of the creoles but as soon as "the family" took office the old patterns of the gentleman and aristocratic life-styles reappeared.

Wilkie reports that the changes brought about by the revolution affected only a small portion of the middle sector of Mexico, leaving the upper and lower classes unchanged. The intended benefactors of the revolution, the masses, have not benefited.

Thus it seems that a trend has been established. There have been many circulations of challenging elites in Latin American society, not to mention individual mobility, but each change in personnel has not resulted in a change of ethos or political formula: the original values and life-style has been maintained.

The business elite in Mexico also provides a more specific example of this pattern of circulation. Some theorists who hold to the "ideology of economic development" like Fillol see the business elite as playing a prominent role in the change of Latin American society to become a participant in the industrial age.

The failure of a middle class to develop an ethos of work similar to that of the North American middle class, and the failure of "trickle down" theory have been repeated in Mexico. Lipset's insight that the "deviant" approach will not hold in relation to Latin American businessmen has proven true, and his further prediction that change can only come through the "in-group" has also appeared to be valid.

Mosk's research in 1954 proposed the rise of the New Group in the Mexican business sector. The New Group represented an emergent middle





class sector who demonstrated tendencies toward what might be described as North American business attitudes. The New Group put itself in competition with the traditional business sector composed of the old business elite and the provincial handicraft businessmen. The New Group supported labor and government participation in business and were strongly against foreign intervention in business matters. The old business elite were quite anti labor unions and opted for business taking care of its own. In relation to government, the old welcomed the government's protective measures, but severely questioned government's entry into the business sectors as a partner.

The situation of Mexican business in 1954 pointed to the fulfillment of the prophecies of the ideology of economic development. The Mexican economy had reached the level of "take-off", the second stage of Rostow's development plan. A newly emergent group of entrepreneurs had emerged bearing all the characteristics of the North American counterparts. They came forth to raise the standard of living through industrialization and to bring the rural sectors into the modern market system.

But in 1964 Brandenburg went back to look at the business sector in Mexico. He concluded that after a lapse of ten years, the rise of the New Group had not taken place.<sup>14</sup> The old business elite had retained supremacy and the New Group were found to comprise the second and lower echelons of the business elite.

The Mexican business community demonstrates the flexibility of the traditional elite acting as a core elite to maintain both power and prestige by (1) accepting into their ranks those who are necessary to the maintenance of their position (the individuals who are upwardly mobile



adopt the values of the traditional elite) and (2) absorbing those technological innovations useful to the continued superiority of the core elite. As Cohen proposed, the traditional elite, rather than directly face confrontation with challenging elites, assimilate the innovative elites.

Cardoso concurs that the ruling community of Latin America is an amalgam of old and new elites who both hold the values and attitudes which have characterized the Latin American gentlemen. This amalgam has also gained the technological and industrial know-how to enable the elites to maintain their position within their various countries and to compete effectively within their subordinate status in the world economic system.

The point to be made here is that, even though the cultural traditions of the Iberian legacy have influenced the development of business in Latin America, the structure of the mercantilist-capitalist system has also channeled and set boundaries on the way in which business could develop in Latin America.

Since the first invasion of the Spaniards, the position of Latin Americans has been one of response not initiation. Latin America has been transferred as a political or economic colony from Spain to England and then to the U.S. Internal institutions and values of contemporary Latin America can be interpreted, not as a feudal, static tradition, but as the result of a series of responses to external forces in an attempt to survive.

As Cochran points out, the survival of the extended family and its prominent role in business can on one hand be seen as a tradition,



but it is also reasonable to see the survival of the family as a necessary response to the economic conditions of the colonial laws. The emphasis on real estate investment might also be the rational move on the part of investors given the size of the market. Competition is also affected by the size of the market.

Any extension of production beyond the natural growth rate is at the expense of another company. Technological innovation is also curbed by the size of the market, and not by some traditional fear of machines.

Cardoso makes the point that in Latin America the market system was already determined for the businessman by the structure of the world economic system. The role of the entrepreneur is different, then from that of the first businessmen who carved out and created a new society. The Latin American businessman must be satisfied with seeking out a way of doing business within the pre-ordained economic structure. Therefore it is logical to conclude that business will not play the same role in Latin American countries as was experienced in the developed countries.

#### C. CONCLUDING REMARKS

The strongest cases for the unique development of the Latin American society especially the business sector were presented by the empirical findings of Cochran and the insight of Lipset.

Cochran came to the conclusion that:





In fact, a contrary thesis could be argued, that Puerto Rican business generally adhered to its traditional forms and expanded or modified them when forced by technological pressures without conscious copying of mainland models.<sup>15</sup>

And Lipset speculates that:

Thus it would appear that modernizing societies require either strong values or rules sustaining achievement and universalism. They need not reject their traditional value system if they can work out mechanisms to guarantee that a large section of the elite will be composed of men who are highly motivated and able to achieve.<sup>16</sup>

Both authors suggest that the business sectors of Latin America must not and have not developed according to the "ideology of economic development."

The history of Latin America and the structure of the world economic system have been major factors in creating the underdevelopment which has been treated by the U.S. and U.S. "ideology of economic development" as the original state of Latin American affairs. Rather than being a static, feudal society, Latin America has evolved its own unique social system basically in response to external exploitation in an effort to sustain a viable life-style in spite of its subordinate position.

The business sector of Latin America has not developed along the lines of the developed nations by becoming innovators of technology and a new ethos, but has been put in a situation of fitting into a world market imposed upon them. They have become assimilated into the ruling community of Latin America which represents an amalgam of traditional and new elites who maintain the position and privilege of a ruling class with few concessions to the masses.



A unique pattern of government and private enterprise has emerged especially in Mexico allowing a third alternative response to dealing with machines. A new type of business recruitment has also emerged. Access to occupations at the top of the business field is based not separately upon ascription or achievement, but both achievement and ascription. The position of the family and the status of the ruling class thus remains in tact, with a high degree of efficiency and technical know-how added.

The historical pattern of the ability of Latin American elites to amalgamate upwardly mobile individuals or groups has up until now avoided whole class changes. (Cuba remains an exception). In those instances where the total ruling group was replaced by another challenging group, the values of the predecessors have been retained, as in the Mexican Revolution.

Further research is necessary to investigate the trends which seem to have become apparent. Precise data similar to that collected by Cochran on Puerto Rico are necessary for an understanding of business in the various Latin American countries. From this information, cross-national comparisons could be made to determine differences in the functioning of business as affected by different class structures.

Cuba and Chile also present new cases which must be more closely studied in relation to both the elites and the business sector. The persistence of elites in these countries would prove elite analysis more useful in analysing the processes of these countries, and would reinforce the validity of the use of elite analysis which has been over-



shadowed by the more "democratic" theories. The unique economic attempts of both Cuba and Chile also provide interesting test-cases for the strength of the hinterland-metropolis model.





# FOOTNOTES

<sup>1</sup>Francois Chevalier, Land and Society in Colonial Mexico: The Great Hacienda (Berkeley and Los Angeles: University of California Press, 1963).

<sup>2</sup>Roger Vekemans, S. J. and Jorge Guisti, "Marginality and Ideology in Latin American Development," Studies in Comparative International Development, VII, No. 10 (1966), p. 221.

<sup>3</sup>The validity of this "trickle down" theory can even be questioned in relation to primary development since the agricultural and labor sectors have never shared equally in the profits from industrialization.

<sup>4</sup>Vekemans and Guisti, op. cit., p. 223.

<sup>5</sup>Ibid, p. 226.

<sup>6</sup>Idem.

<sup>7</sup>Ibid, pp. 226-7.

<sup>8</sup>Ibid, p. 227.

<sup>9</sup>This paper has focused upon elites in Latin American society. Their force of the masses in Latin American history should not be slighted. Simpson in Many Mexicos writes about the leperos of the colonial era who were always on hand to support disruption of Spanish rule. "Mobs of drunken lepros continued to be a menace to public safety, for they could always be counted on to loot and riot whenever the authorities weakened or some feud split the city." p. 149. The discontent of the masses has always smoldered under the domination of peninsulares or creoles. Successful revolt of the masses has been minimal; and, as discussed by Vekemans, still remains in check due to both the more efficient organization and control of the internal elite and the counter-insurgency forces of the U.S.

<sup>10</sup>Ibid, p. 229.

<sup>11</sup>Max Weber, The Protestant Ethic and the Spirit of Capitalism

<sup>12</sup>Robert Lamb, "Political Elites and the Process of Economic Development," in Bert Hoselitz, ed., The Progress of Underdeveloped Areas (Chicago: University of Chicago Press, 1952), pp. 30-53.



<sup>13</sup>The military elite which is primarily a middle-class group has provided an exception to this statement. Military take overs have been both coups of the right and of the left. But the action of the military in challenging the existing elite has become significant in the past decade. It remains to be seen whether or not these military juntas will accomplish their programs of reform as proposed in Peru for example or whether the middle-sector military elite will opt for the values and behavior patterns of the traditional elite.

<sup>14</sup>Frank Brandenburg, The Making of Modern Mexico (Englewood Cliffs, New Jersey: Prentice-Hall, Incorporated, 1964), p. 210.

<sup>15</sup>Thomas C. Cochran, The Puerto Rican Businessman (Philadelphia: University of Pennsylvania Press, 1959), p. 147.

<sup>16</sup>Seymour Martin Lipset, ed., Elites in Latin America (New York: Oxford University Press, 1967), pp. 43-4.



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